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NEWS SUMMARY

GENERAL

Gunmen storm consul offices

Two Croatians clutching guns and explosives stormed the Chicago West German consulate and threatened to kill six hostages, unless the Bonn Government freed a Croatian Nationalist wanted for murder in Yugoslavia.

One of the gunmen said that the hostages would be tossed out of the building's 10th-floor window if Croatian exile Stjepan Bilandzic was not released from the Cologne jail, where he is awaiting the outcome of an appeal against an extradition order.

In Bonn, West German Government officials held a crisis meeting over the raid. But the Government said that there was no question of West Germany taking action to rescue the hostages.

● An Iraq diplomat was shot dead outside the Iraqi embassy in Tripoli by a lone gunman, who was later arrested.

Plutonium probe

The Defence Ministry announced that there is to be an independent inquiry into activities at the Atomic Weapons Research Establishment, Aldermaston, after 12 workers were found to have plutonium contamination. Back Page

Balloon record

Three U.S. balloonists in Double Eagle II landed near Evreux, Normandy, after completing the first-ever Transatlantic flight, and the longest, by free-floating balloon.

Officer killed

A Royal Marine officer was killed and a soldier injured when a car bomb exploded in Forkhill, South Armagh. Earlier, an Ulster policeman and a part-time soldier escaped serious injury in two separate gun attacks near Cookstown, Co. Tyrone, and Coalisland.

Death jump

A 19-year-old London soldier plunged to his death in a parachute jump at Hankley Common, near Aldershot, during routine exercises.

Election boost

The election funds of the Scottish Nationalists were boosted by a £200,000 bequest in the will of an Argyll farmer.

Air peace hopes

French air traffic controllers, whose weekend industrial action has crippled European flights, could meet French Government officials today to seek a peace settlement, according to Paris sources.

Students protest

Fourteen Iranian students, protesting at the Shah's suppression of anti-Government riots, invaded the Iranian embassy in Brussels and smashed portraits before being arrested.

Murder charge

Three South African policemen have been charged with the murder of a black detainee, who died in the Natal province while awaiting sentence after pleading guilty to theft.

Briefly . . .

At least 45 people were feared drowned after their boats capsized in floods in the Indian state of Bihar.

Russian set himself on fire in Moscow's Red Square in protest at the sentencing of Yuri Orlov.

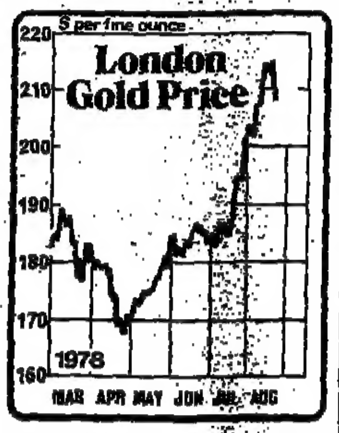
British squad won the team title at the World Showjumping Championships in Aachen, West Germany.

Family from the Midlands escaped with minor injuries when a driverless lorry crushed their car on the M2 in Kent.

BUSINESS

Gold falls $6½ in nervous trading

● GOLD fell sharply by $6½ to $208¾ in nervous trading in London and in New York the Comex August settlement price fell $5.10 to $206.90.



● EQUITIES drifted lower after initial firmness, and the FT Ordinary index closed 0.7 down at 509.3.

● GILTS were dull with shorts falling ⅛ and longs ⅜. The Government Securities index closed 0.20 down at 70.88.

● STERLING fell 3.6 cents to $1.9400, and its trade-weighted index fell to 62.2 (62.6). The dollar's depreciation, in line with the currency's improvement on foreign exchanges, narrowed sharply to 9.? per cent against 10.7 per cent.

● WALL STREET rose above the 900 level in heavy trading, when the Dow Jones index put on 5.54 to 900.12.

● OECD report on West Germany warns that continued uncertainty on the foreign exchange markets, particularly a further rise in the Deutschemark, could undermine Germany's economic growth prospects. Back Page

● STOCK EXCHANGE is to replace its market price display service with a televised information system capable of handling more data. The new service will come into operation towards the end of next year. Page 6

● CHRYSLER'S Linwood manual workers have accepted a 10 per cent pay deal and a potentially bright future has been forecast for the factory. At the same time the implications for the company's UK factories of the proposed Peugeot-Citroen takeover will be discussed at meetings between shop stewards and top management. Back Page

● NUR officials are meeting the London Transport Executive today to seek a solution to the dispute which is disrupting the London Underground service. Page 8.

● FUNDING of pensions in the public sector should be thoroughly examined, the Commons Public Accounts Committee has urged. Back Page

● PRUDENTIAL ASSURANCE is considering entering the Japanese insurance market. Page 22

COMPANIES

● ROYAL DUTCH / SHELL reports a decline in group income which were hit by adverse financial factors. Net income for the first six months was £396m (£723m). Back, Page 18 and Lex

● LEX SERVICE Group reports first half pre-tax profit up from £5.33m to £8.37m, and is declaring a one-for-five rights issue at 77p. Page 18

● ROYAL INSURANCE turned in a better than expected underwriting profit of £9.4m and a 10.5 per cent increase in investment income fro the first half of this year, advancing pre-tax profits by 8.8 per cent to £71.6m. Page 20 and Lex.

● BERNARD SUNLEY Investment Trust has sold an office block in Brussels for £8.25m. Back Page

COOL RECEPTION FOR CARTER DOLLAR STATEMENT

Prospect of U.S. action to calm exchange markets

BY JOHN WYLES, NEW YORK, August 17

The U.S. authorities tonight held out the prospect of a series of policy actions over the next few weeks designed to halt the fall of the dollar and calm the turbulence in foreign exchange markets.

This emerged immediately after a statement by President Carter on the dollar which was followed by a wave of sharp selling in the New York foreign exchange market.

Dealers said the Federal Reserve board intervened briefly in support of the U.S. currency but had little impact because as one said "the President said nothing and he said it badly."

Market reaction would be closely monitored by the Fed and it is possible that the prompt issue of a statement by Mr. Michael Blumenthal Treasury Secretary, was intended to counter the disappointment. Mr. William Miller, the Federal Reserve Board chairman, were "giving urgent attention" to a number of proposals on the dollar and "we would expect a series of continuing actions to be announced as decisions are reached over the next few weeks." A Treasury spokesman refused to elaborate on the statement, although he did add that it had been made at the President's request.

How well the foreign exchange markets will react to being kept waiting for U.S. Government action remains to be seen but the authorities may hope that knowledge that something is going to happen coupled with uncertainty as to precisely what might at least curb some of the more speculative selling of the dollar.

Much may also depend on how persuaded foreign opinion is that the U.S. authorities are prepared to take firmer action on the problems underlying the dollar's weakness, namely the U.S. inflation rate, its trade deficit and the lack of an energy policy.

President Carter gave no clues at his televised Press conference this afternoon.

He repeated that he was "deeply concerned about the dollar" but then implied that there were a number of encouraging factors in the U.S. economy of which foreign opinion ought to be taking note.

His list of developments which should help the dollar in the long run included recent monthly trade figures which suggested that the U.S. deficit was going down, and faster economic growth abroad which would encourage the purchase of U.S. goods.

It also included a steady decrease in the U.S. budget deficit which, he pointed out, was in the "60 billions of dollars" when he was running for office and which he was determined to reduce to "the 30 billions of dollars" by fiscal 1980.

The problem for the currency markets is that traders have heard all this before. They argue that the President is not listening to the message which lies behind the weak dollar, that the U.S. Government Budget deficit is too high for this stage in the business cycle, and more than likely to be inflationary.

With the U.S. inflation rate likely to be about 8 per cent by the end of this year, the President's most serious political problem at home and abroad concerning the dollar is the lack of a credible policy for pay and prices.

The Administration has been reviewing its options for the last few weeks and none of them is likely to produce immediate results.

Organised labour is so far totally unwilling to co-operate formally in reducing the level of pay settlements.

All that may emerge from the review is a series of joint committees for various industrial sectors which would aim at producing a series of understandings on appropriate pay settlements.

At his Press conference, the President again stressed he would not rule out using an executive order to impose either an oil import quota or import fees on oil if Congress failed to produce an acceptable energy Bill.

He laid part of the blame for the dollar's woes at the door of Congress.

The most important contribution it could make to strengthening the trade balance and the dollar would be to pass an energy Bill, he said.

Sharp fall after rally

By Peter Riddell, Economics Correspondent

THE DOLLAR fell sharply last night in late New York trading on disappointment at the outcome of President Carter's Press conference. This followed an earlier strong rally in European marekts against all other major currencies.

The U.S. currency dropped to DM 1.96 from its London close of DM 1.9925, which represented a 2¼ per cent rise on the previous day's European close.

Against the Swiss franc the dollar fell back to SwFr 1.6200 after a London finish of SwFr1.65—which was up 4 per cent on the day. Similarly, the dollar fell back against the yen to Y185.30 after a close in Europe of Y188.15, an increase of nearly 3 per cent during the day.

Sterling also regained some of its earlier losses during the day. It closed in New York at $1.9650 after a London close of $1.9400, which was a fall of 3.60 cents on the day.

These sharp and rapid movements in the late afternoon led to immediate intervention from the Federal Reserve Bank of New York to steady the rate.

Earlier, the recovery had continued the modest rally of Tuesday and Wednesday. But even those sharp rises had been sufficient only to offset part of the recent falls. Closing rates for the dollar yesterday, even in Europe, were generally below the levels at the beginning of last week.

The extent of the fluctuations is shown by the fact that while last night's closing rate in Europe of SwFr 1.6500 is more than 6½ per cent below the level of early last week.

Similarly, the gold price, which fell by $6½ an ounce in London yesterday to $208¾, is still 3½ per cent higher than in early August. In New York gold closed at $207.

Foreign exchange market dealers said that the rally might be only shortlived unless the U.S. Administration produced specific measures, rather than mere statements, to answer the market's concern about domestic monetary and inflation developments.

The rally reflected a large amount of covering of short-term speculative positions against the dollar and profit-taking after the recent sharp movements.

Trading was described as Continued on Back Page

£ in New York

—	Aug. 17	Previous
Spot	$1.9650-1.9700	$1.9440-9460
1 month	0.28-0.30 dis	[illegible]
3 months	[illegible]	1.45-1.37 dis
12 months	[illegible]	4.60-4.30 dis

Bank corset extended to curb money growth

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT has extended its credit squeeze on the banks into the middle of next year to ensure that the growth of the money supply remains within official limits.

The so-called corset, or supplementary special deposits scheme, was reimposed in early June and has now been extended from this autumn until mid-June 1979.

The scheme limits the growth of the banks' interest-bearing liabilities and, therefore, effectively restricts lending.

The clearing banks, in particular, have faced difficulties in making the necessary adjustments to come within the corset limits and may face penalties later this year.

The extension of the corset has been announced now to make clear to the banks what the position will be throughout the next year. The Bank of England said yesterday that the limits, which will allow slightly more growth in interest-bearing liabilities from the autumn onwards than at present, had been fixed "to leave room for adequate lending to priority borrowers."

The extension was announced yesterday, shortly before publication of figures showing that the rate of monetary growth last month was the highest since April, though still well within the target range.

Sterling M3, the broadly defined money supply, including cash and bank current and seven-day deposits, rose by 1.1 per cent, seasonally adjusted, in the month to mid-July. This compares with increases of 0.9 and 0.3 per cent in the previous two months.

The rise in July, which was broadly as the City expected, was sufficient to boost the annual rate of growth of sterling M3 in the first three months of the financial year to around 9½ per cent.

This is slightly above the bottom end of the official target range of 8 to 12 per cent for 1978-79 as a whole.

Monetary growth was boosted last month by substantial inflows from abroad, associated with the strong demand for sterling in the period. This may not be as significant in the August banking figures.

A worrying feature, however, is the continued buoyancy of bank lending in sterling to the private sector. This amounted to £568m in the month to mid-July, seasonally adjusted, slightly more than in the previous month.

More than a third of the increase, reflected substantial purchases of commercial bills by the Bank of England to assist the liquidity of the banks. This still represented a rise in underlying finance for industry.

The rate of growth of lending will have to be much smaller if the corset limits are not to be breached. The current potential conflict between the limits and industry's demand for funds, and hence the further recovery of the economy, may become actual by the autumn, creating possible pressure for relaxation of the controls.

Editorial Comment Page 16

Humber bridge problems mount

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH Bridgebuilders, the company constructing the Humber Bridge, is considering going into liquidation and abandoning the project as a result of the row with the bridge authority over progress payments.

This possibility emerged yesterday as a report from the Commons Public Accounts Committee said the decision to build the bridge had been taken on "substantially inaccurate" traffic projections.

These two developments are the latest twists in the bridge's tangled five-year history, during which its costs had increased from £19m to £67m. The bridge is expected to open late next year, almost three years late.

The possibility of British Bridgebuilders—a consortium involving British Steel, Clarke-Chapman and Cleveland Bridge and Engineering—abandoning the job was discussed at the last meeting of the bridge authority.

It arose following the row between the contractor and the bridge authority over progress payments of about £800,000, which the authority has refused to hand over on the grounds that work is either substandard or behind schedule.

British Bridgebuilders is sueing the authority and its consultant, Freeman Fox and Partners, in the High Court for Continued on Back Page

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Customs decision on duty free whisky Page 6

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CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Abercom	120	+ 8
ANZ	300	+ 13
Bank of NSW	588	+ 20
Brown (J.)	487	+ 7
Costain (R.)	218	+ 8
Dalgety	303	+ 8
Hammerson A	630	+ 15
Hunting Asscd.	304	+ 11
Laing (J.) A	215	+ 9
Liverpool Daily Post	147	+ 7
Norton and Wright	190	+ 15
Nurdin and Peacock	91	+ 5
Pilkington	616	+ 9
Racal Electronics	314	+ 8
Sunley (B.)	266	+ 10
Taylor Woodrow	440	+ 10
Town Centre Secs.	75	+ 4
United Carriers	87	+ 3
Yarrow	293	+ 5
BP	876	+ 12
Guthrie	360	+ 7
Haoma Gold	68	+ 8
Thiess Hldgs.	270	+ 12
Western Mining	149	+ 6

FALLS

Barrow Hepburn	28	− 2
Bourne Hollingsworth	263	− 5
Evode	37	− 3
Lex Service	88½	− 3
Peerage, Birmingham	62	− 4
Rea Bros.	38	− 3
Royal Insurance	390	− 5
Buffels	981	− 56
De Beers Dfd.	445	− 11
East Drie	817	− 58
Grootvlei	109	− 9
Hartebeest	£14½	− ¾
Kinross	408	− 15
Messina	95	− 5
Union Crpn.	310	− 12
West Drie	£25¾	− 2¼

£100m mine deal with China near

BY JOHN LLOYD

BRITISH MINING equipment manufacturers are reaching the final stages of negotiations with the Chinese Government for the sale of machinery worth more than £100m.

At the same time, British industrialists who accompanied Mr. Edmund Dell, Trade Secretary, on his recent visit to China, forecast that the industrial expansion laid out in the Eight-Year Plan could mean a market worth up to £1bn — and possibly more — for UK manufacturers in the near future.

Already, Davy Powergas, the process plant contractor, has won a contract worth about £40m for building two petrochemical intermediate plants.

Earlier this year, the company's German subsidiary won a contract, also for a petrochemical plant, worth about £10m.

Northern Engineering Industries, the power plant manufacturers, has tendered for a £75m fertiliser plant order in collaboration with Humphreys and Glasgow, the contracting engineers.

Sir John Buckley, chairman of Davy, and Sir James Woodeson, chairman of NEI, accompanied Mr. Dell.

Prospects

Sir John said that the "prospects for Davy and for British industry are excellent if we can work hard at the market."

Davy hopes in collaboration with the British Steel Corporation to win a £1bn order for one of the 10 major integrated steel plants which the Chinese plan to build.

Sir James said that the power plant market was enormous, especially in the 500 megawatt, 50 cycle sets in which UK manufacturers had a great deal of experience.

The three UK mining machinery manufacturers who are nearing the end of lengthy and complex negotiations are Anderson Mavor, Dowty, and Gullick Dobson.

They hope to supply powered roof supports, conveyors and power loading equipment required by the Chinese to exploit their extensive coal reserves. The plan calls for the construction of 10 large mines.

Sir Derek Ezra, chairman of the National Coal Board, said that the Chinese were attracted by British consultants and manufacturers because the longwall mining methods used in China were similar to those used in the UK.

The three machinery manufacturers would not specify the respective sizes of their likely contracts, but it is thought that Dowty will take the biggest order, for conveyors and roof supports, worth about £70m.

Anderson Mavor, which manufactures power loaders and conveyors, may take upwards of £10m.

All three companies are strongly geared towards exports. Gullick Dobson, a direct competitor of Dowty in the manufacture of roof supports, recently announced a £10m investment programme over the next two years, and has employed 250 more workers to cope with extra demand.

The companies are familiar with the Chinese market, having won about £20m-worth of orders among them four years ago.

They believe that the performance of their machiner has been highly regarded. On winning the present round of contracts, they intend to collaborate to ensure that their machinery is fully compatible with each other's.

Other leading industrialists who have recently returned from the trip expressed optimism over prospects in the Chinese markets, stressing that the mission was undertaken at an opportune time, when the Chinese had taken a decision to liberalise their trade policy.

Sir Arthur Knight, chairman of Courtaulds, said he expected a large expansion in sales of fibres and paints—especially marine paint—to China, as well as fibre processing plant.

The company's exports to China total about £10m a year, and 12 years ago it built a fibre plant at Langchow.

Mr. Robert Aldred, chairman of Taylor Woodrow, said that he had identified a number of areas in which UK construction companies could be competitive.

Excellent

He had been able to have preliminary discussions on projects in which Taylor Woodrow might become involved.

Mr. Graham Strachan, managing director of John Brown Engineering, said excellent opportunities existed for the John Brown Group as a whole, especially in the fields of offshore equipment and gas turbines.

John Brown is already the main supplier of gas turbines to China, having sold nine of the 15 now in use there.

Mr. Strachan thought the Chinese might decide to use gas turbines of between 20 and 100 megawatt capacity to bring power to rural areas.

Mr. David Chapman, of PE Consultants, said the Chinese were interested in investing in high technology for use on a large scale.

These developments would call for a consortium approach, in which the role of consultants was a vital one. British consultants would return to China for a more detailed presentation soon.

Moscow in August: muzak and tourists

By Anthony Robinson, East Europe Correspondent

LENIN'S SLOGAN "Communism is Soviet power plus the electrification of the whole country" shines in white neon across the Moscow river in front of Moscow's largest hotel.

But in August most of the men who wield that Soviet power are on holiday in the Crimea. The sleek black Zil cars with curtained windows which carry them around are few and far between and Moscow is left to the Muscovites and the horde of tourists from abroad—or from the furthest reaches of this vast multi-racial land itself.

Red Square, which only last month was taken over for the state funeral of Politburo member Fyodor Kulakov, is thronged with sightseers peering at Lenin's Mausoleum or awaiting the mechanical, wide-arm, swinging goose-step of the soldiers changing guard.

Language is a major deterrent against straying far from the beaten track for most visitors. There are virtually no multilingual signs in Moscow to guide those unfamiliar with the cyrillic script. The visitor steps into the Muscovite's Moscow almost as soon as he leave the hotel.

Although Stalin dotted the city with seven extraordinary skyscrapers in Socialist Gothic style, and his successors transformed Kalinin Prospect into an avenue of tower blocks like London Wall, most of the rest of inner Moscow is still surprisingly low-key and human.

Squat ladies

The trees and gardens which once lined the inner ring road have long been torn down to provide a four-lane race track for the buses, trucks and cars. But inside the ring much of the city still consists of houses predating the Revolution. These pastel-painted houses line wide, residential streets with tree-lined boulevards running down the middle, down which mothers push their prams, children play, lovers hold hands and drunks nurse hangovers.

A stroll up Gorki Street is rewarding. To walk past the central post office, the Moscow Soviet and the pre-revolutionary stores to Pushkin Square is a must. It is one of the main shopping streets and comparing what people wear with what one sees on sale in the shops, is a perplexing exercise. For although much of the crowd consists of large squat ladies with a determined air and heavy peasant look there are also plenty of younger people quite elegantly attired.

Where do they get their clothes? Some, of course, from the thriving black market in jeans and Western clothes bought unofficially from foreign tourists. But in a big store near the Bolshoi Theatre, I also noticed a long queue for a selection of smart looking summer shirts. On the same morning a consignment of oranges arrived at my hotel. Everybody in front of me in the line bought as many of them as he or she could carry. By the time I got to the head of the queue there were none left. It was exactly the same with the shirts.

My conclusion from this is that the shoddy, rotting fish, badly packed foodstuffs and mouldy vegetables one notices in the shops are a sort of reverse loss-leader. They advertise nothing but the fact that the best goods have either not arrived or have long been sold out.

Features of the Moscow landscape, as indeed throughout the Soviet Union, are the propaganda "lozenges," slogans saluting the party, proclaiming peace and glorifying the Soviet armed forces (frequently in the same stylised breath).

For all the exhortation, however, it is difficult to spot any evidence of a Stakhanovite attitude towards work. A large number of people appear to be employed in a sitting down and counter-information function.

The first time visitor to Moscow soon becomes aware that even in summer this is a tightly controlled society. The most obvious sign of this is the number of uniformed police at street intersections, outside public buildings and the ghettoes where foreigners live, keeping an eye on the lengthy queues of patient shoppers inside the big stores or on duty at the Metro stations.

Red arm-bands

It is also impossible to gain entry past the pensioners with red arm-bands and the campaign medals on their shirts who guard hotel entrance without documentation. Once inside, large ladies called Korridornaya sit at strategic points on every for to guard the keys, tend the samovar and keep an eage eye on who goes into whose room.

This security was stepped up after a couple of disastrous fires in Moscow hotels.

All this inevitably throws a cloak of uniformity over life in general, at least in external appearances. But Rusians know how to enjoy themselves all the same. On weekends the wealthier Muscovites leave for their dachas in the country while the others head for the woods and lakes around the city or along the banks of the Moscow River.

In the evenings restaurants are crowded and people dance enthusiastically although usually inelegantly to the blandest Western pop. Once or twice I thought I heard the opening few bars of a Rolling Stones song as a band warmed up but if that ever came out in the end was pure muzak.

CHRYSLER ESPANA-PEUGEOT DEAL

Communists demand job security

BY ROBERT GRAHAM

MADRID, August 17.

THE SPANISH Communist Party has called on the Government to take a firm stand over the proposed purchase of Chrysler Espana by Peugot-Citroen in order to ensure that jobs are guaranteed. The call came in a statement that was the first formal reaction by any Spanish political party to the proposed deal that would make Peugot-Citroen the second largest motor company in Spain.

The statement is careful not to condemn the acquisition of Chrysler's Spanish subsidiary by Peugot-Citroen. But it insists that the Government examine the deal bearing in mind four main criteria.

The statement says that the Government must be satisfied that there are adequate guarantees of job security to maintain the existing level of employment. If rationalisation is envisaged then there must be accompanying investment to generate new jobs, it says. Thirdly, the Communist party urges the Government to obtain guarantees on the position of existing suppliers. According to the statement, the deal should not be detrimental to the various industries that are directly dependent upon Chrysler. Finally it says that Chrysler's present distribution arrangements with its concessionaires should be maintained.

The position of the Communist Party is potentially significant. The main trades union throughout the motor industry in Spain is the Confederation of Workers Commissions (CCOO) which is dominated by the Communist Party and has so far closely followed party policy. CCOO obtained 53 per cent of the vote in the recently held works council elections at Chrysler's plant at Villaverde on the outskirts of Madrid.

This relatively low key approach indicates that the Communists are, for the moment at least, taking a realistic view of the deal—realising that the Spanish Government is in a weak position to influence matters.

Even though the government only knew of the deal on the day of its public announcement and the majority of the administration was then on holiday, the absorption of Chrysler Espana is of great significance to Spanish industry as a whole, not just the motor industry. The new group will be the seventh largest industrial employer with a workforce of over 22,000 and many more directly and indirectly dependent upon the group's activity.

At the Chrysler plant, still closed for the annual summer holiday, the main concern appears to be that the new management will undertake a major rationalisation of activity that would downgrade car production and switch emphasis to industrial vehicles, its most profitable activity. The plant currently has a workforce of 13,825 and earlier this year undertook to engage 550 more to cope with increased industrial vehicle production. This move was the result of strong union pressure, the unions refusing to work overtime because they believed this a management device to avoid extra employment. The management for its part was reluctant to increase its workforce so long as Spain's labour laws remained in force that impose tough restrictions on dismissals. Citreon has experienced similar troubles.

Parliament recalled in Portugal

LISBON, August 17.

PORTUGAL'S Parliament will be recalled from summer recess next Tuesday to debate new electoral and census laws, the assembly's standing committee decided tonight.

It was taken virtually for granted that Prime Minister-designate, Sr. Alfredo Nobre da Costa, technocrat and former Industry Minister, would form a transitional Cabinet of independents and technicians to arrange elections by next spring. They are not normally due until 1980.

Reuter

Jimmy Burns adds: Finance Minister Dr. Vitor Constancio went out of his way here tonight to reassure the international banking community that his country remained firmly on the way towards economic recovery.

Speaking at the signing of a $300m loan from a group of French, W. German, U.S. and Japanese banks, Dr. Constancio stressed that the economic policies pursued during the first six months of this year had succeeded in meeting a prime objective: a limitation of the balance of payments deficit to an amount capable of being financed without recourse to Portugal's unpledged gold reserves.

According to Dr. Constancio the central bank had its highest level in cash of foreign reserves for many years: $62m in July and $67m so far in August excluding loans. The proportion of Portugal's gold reserves which were free and uncommitted as collateral had now risen to 62.4 per cent an increase in volume of 50 tonnes) from its level of 51.4 per cent at the beginning of the year.

Portugal's balance of payments position had been improved as a result of a 28 per cent and 24 per cent increase in tourist receipts and immigrant remittances respectively. Inflation, which averaged 27 per cent in 1977, had during the first seven months of this year been brought down to 20.8 per cent as a result of the Government's stabilisation programme, Dr. Constancio added.

He admitted that Portugal's trade deficit for the first half of this year increased in dollar terms by 9 per cent compared with the same period last year.

THE DOLLAR CRISIS

Bonn confident over U.S. moves

BY JONATHAN CARR

BONN, August 17.

THE BONN Government today welcomed President Carter's statement on the dollar and reaffirmed that West German monetary authorities would continue to seek to counter disorderly conditions on the exchange markets. For its part, the Government planned no additional measures in the currency field.

Herr Hans Matthoefer, the Finance Minister, said he was confident that the measures contemplated by the Americans (which have not yet been specified) would be taken speedily and would help restore confidence. He repeated his view that the dollar rate at present completely failed to reflect the inner strength of the U.S.

Herr Matthoefer's statement was seen in Bonn as an attempt to dampen speculation that a new inter-governmental effort might be in the offing, aimed specifically at support of the dollar. Bonn still sees the key to the strength of the U.S. currency in the medium term as lying in steps by Washington to c the U.S. inflation rate (now running at four times the West German one) and to reduce oil imports—in accordance with Mr. Carter's pledge at the Western economic summit a month ago.

Despite the pledge to counter "disorderly conditions," there continues to be little sign of intervention by the Bundesbank to support the dollar—reticence widely praised by the German commercial banks.

Dr. F. Wilhelm Christians, president of the German Banking Federation, said such intervention would not in any case be able to hold the rate against the market. At present, the only reasonable course from the German viewpoint was to leave the field to market forces. These carried the dollar on the Frankfurt exchange today to DM1.9773—strongly up on the DM 1.9484 yesterday and five pfennigs more than Tuesday's record low.

Dealers felt the recovery was due partly to yesterday's White House announcement, partly to a technical recovery which had set in even before Mr. Carter's statement was made known.

While there have been some statements of concern from politicians and businessmen about the impact of the dollar's fall on German exports, these appear this time to have been relatively muted.

The figures for West German trade with the U.S. in the first half of this year—even though they relate to a period before the latest dollar weakness — make somewhat surprising reading. They show German exports up 17 per cent against the same period of the previous year

Swiss to assist exporters

BY JOHN WICKS

ZURICH, August 17.

THE SWISS Government will take steps to improve the working of the foreign exchange market and will aid exporters and the tourist industry as a response to the recent appreciation of the Swiss franc.

This was announced in Berne at midday following long governing Federal Council consultations on the monetary situation.

As one immediate move to counter the upswing in the national exchange rate, the Swiss National Bank has been instructed to examine measures to improve the functioning of the foreign exchange market. As part of this job, the National Bank is to "consider further adjustments to provisions warding off foreign money."

This vagne statement is generally taken to mean that restrictions such as the partial ban on new portfolio investments by non-residents or the strict limitations on forward transactions in Swiss francs might be eased.

$100m Turkey loan agreement

BY METIN MUNIR

ANKARA, August 17.

THE TURKISH Central Bank and the Libyan Arab Foreign Bank as guarantor today signed a $100m loan from an international banking syndicate in Istanbul, the first such private funds foreign exchange-starved Turkey has been able to procure this year.

To be paid in five years, including a three-year grace period, the credit carries an interest rate of ¾ per cent over inter-bank rates. The loan was managed by the Arab African Bank, Gulf International Bank UBAF and Citicorp International. Sixteen banks participated

The Central Bank's guarantee was supplemented by that of the Libyan Arab Foreign Bank, which was the principal manager.

Turkey is hoping to raise a $500m Euroloan before the end of this year through the management of eight international banks, including Barclays, which met in London today. Their agenda consists of the fine-tuning of the restructuring of a $2.5bn short-term debt which Turkey is unable to pay owing to the foreign exchange crisis.

Finance Minister Ziya Muezzinoglu is on an unxpected visit to Washington for a range of discussions. They will include discussions with the IMF for the release of a $50m second tranche stand-by loan. The first tranche of $150m was disbursed last April.

Mr. Muezzinoglu will also hold discussions with U.S. officials and banks on the subject of fresh loans.

Officials in Ankara have started expressing growing impatience and concern about Turkey's prospects of obtaining a fresh $2bn to finance this year's trade deficit.

Turkey's financial problems are causing worries among OECD exporters whose Turkish markets have been contracting since the beginning of last year.

Turkey has asked the OECD for the establishment of an additional stand-by facility by the Bank of International Settlements and the early activation of export guarantee schemes by the member countries.

OECD countries were also asked to encourage their banks to speed up negotiations for a fresh Euroloan.

OECD REPORT ON W. GERMANY

Allaying fears about the effects of inflation

BY DAVID HABAKKUK

THE FORECAST in the Organisation for Economic Co-operation and Development's (OECD) annual Survey of West Germany, published yesterday, that the German gross national product will grow by 3 per cent in 1978 is, in fact, at the higher end of Bonn's current projections.

While the official target for growth this year was 3.5 per cent, at the time of the release of the Government's plan for a DM 12.5bn stimulatory package earlier this month, Dr. Otto Schlecht, State Secretary at the Economics Ministry, estimated that growth fould be 2-3 per cent.

This package has gone some way to meet the OECD Secretariat's call for a strong eWst German fiscal stimulus. This call reflects the Secretariat's pessimism about the contributions to growth to be expected in particular from exports and business investment, and concern about West German's continuing high unemployment and trade surplus.

Thus, exports are expected to rise—by volume—by some 3 per cent. However, though imports are expected to rise, in volume terms, by about 6.5 per, import prices are likely to fall, because of falling dollar prices and the appreciation of the Deutschemark.

The consequent gain in terms of trade is likely to mean that the current external surplus will increase to some DM 11.5bn in 1978, against DM 8.7bn in 1977, in spite of the small deterioration in the real balance, according to the survey.

The survey expects profitability this year to be substantially better than last, with net income from property and entrepreneurship forecast to increase by 12 per cent, partly also because of a fall in taxes on such income.

However, the growth in machinery and equipment investment is not likely to exceed 2.5 per cent and, as in recent years, most of this is likely to be for rationalisation purposes, according to the survey.

Meanwhile, net wages and salaries are forecast to rise by some 6.25 per cent, and total personal disposable income by some 8 per cent. However, due to an anticipated rise in savings, private consumption is only expected to grow by some 3 per cent.

The expected real GNP growth of 3 per cent is likely, according to the survey to be below the growth in labour productivity, causing a continued fall in the number of jobs available.

The survey declines to commit itself on whether this will mean an actual increase in unemployment. Thus, it says, will depend on whether there is a continued fall in the proportion of the population wanting jobs to offset the increase in the population of working age.

Concerned as it is to see West Germany reduce both its unemployment rate and its current account surplus by substantial fiscal stimulus to the economy, the Survey argues strongly against certain objections raised against such a stimulus in that country.

In particular, it argues that West German anxieties about the size of the country's fiscal deficit are excessive, and that there should be a less rapid reduction in the deficit than has been officially envisaged.

Given the fact that the financial surplus of the private sector is still high by historical standards, and business investment in particular is depressed, continued deficit financing on a substantial scale is, the Survey argues, necessary to maintain the level of economic activity.

Further, it argues, with private investment low, there should be no serious problems financing the deficit; and, even if the Germans are anxious about the level that the deficit has reached, the level of their Government debt is low by OECD standards.

In the medium terms, the Survey argues, to the extent that a less rapid reduction in the deficit encouraged business investment, and thus economic recovery, it might well lead to a lower increase in the public debt level than would a protracted recession.

The OECD Secretariat regards German fears about the impact of deficit financing on the inflation rate as exaggerated. The coincidence of historically high budget deficits and the sharp fall in inflation since 1975 support its case, it argues.

The Survey also argues strongly against the view that unemployment in West Germany is to large extent a structural problem, and thus not one that can be dealt with by a generalised economic stimulus.

It quotes statistics from the Federal Labour Office to show that the concentration of unemployment in specific areas and industries has actually fallen compared with earlier period of cyclical slack. Further, the Survey says, the proportion of the unemployed who have been without a job for a substantial period is now lower than in such earlier periods.

The Survey accepts that the proportion of certain "problem groups" such as school-leavers, women, and the unskilled in the total of unemployed has increased since the trough of the current recession in 1975.

But, it points out as the economy continues to operate with some 1m people unemployed, it is not surprising that through continuous turnover between the employed and the unemployed, the weaker elements of the labour force gradually join the unemployment.

Demand and output prospects

	Per cent share of GNP (1976)	Constant 1970 prices; seasonally adjusted; percentage changes at annual rates 1976	1977	1978	1979 (First 6 months.)
Private consumption	55.3	3.6	2.9	3.1	2.9
Government consumption	20.2	2.4	0.7	3.0	3.0
Gross fixed investment	20.7	5.0	2.7	2.1	5.0
Construction	12.6	3.7	1.6	2.0	6.0
Machinery and equipment	8.1	7.2	4.4	2.3	3.6
FINAL DOMESTIC DEMAND	96.3	3.7	2.5	2.8	3.4
Stockbuilding*	1.2	1.6	—0.1	0.0	—0.0
TOTAL DOMESTIC DEMAND	97.5	5.4	2.3	2.9	3.3
Foregin balance*	2.5	0.4	0.1	—0.4	—0.5
Exports of goods and services	27.6	11.1	4.2	3.1	3.5
Imports of goods and services	25.1	10.6	4.2	5.1	5.8
GNP AT MARKET PRICES	100	5.7	2.4	2.4	2.7
Memorandum items:					
GNP deflator		3.2	3.7	3.9	3.0
Consumer prices		4.5	3.9	3.1	3.0

* Changes in stockbuilding and the foreign balance are expressed as percentages of GNP in the previous period.

Chairman Hua gets red carpet treatment

By Paul Lendvai

BUCHAREST, August 17.

A BEAMING Chairman Hua today toured one of the largest Romanian heavy engineering plants in Bucharest and conducted the second round of talks with his Romanian host.

An official communiqué merely stated that the negotiations were proceeding in an atmosphere of "cordiality and friendship, of mutual understanding, characteristic of the good relations that exist between the two parties, countries and peoples."

The Chinese leadership regards Chairman's Hua's visit to the Balkans as a kind of debut—his first appearance on the international stage as a world leader. It has therefore also decided to take what a Chinese official privately described as a "diplomatic" line in public statements. It is understood that Chinese officials resented the implications in some western press reports that Chairman Hua, at a banquet here last night, attacked the Soviet Union.

Neither Chairman Hua Kuo-feng nor Romanian president Nicolae Ceausescu mentioned the Soviet Union by name in their toast at last night's state dinner given by the Romanian president in honour of Chairman Hua.

The Chinese leader predictably praised Romania for defending national independence and state sovereignty, for opposing all kinds of interference in the internal affairs of other countries and extolled what he called the "very good relations" between the two countries. Chairman Hua issued a warning against the infiltration, aggression and expansion of what he called imperialism and hegemonism (the usual code word used by China for Soviet foreign policy in Asia, Africa, Latin America and Europe).

But his speech was by Chinese standards, notably low key. A comparison of the speeches delivered here last night with the text of the toasts made at a similar banquet in Peking three months ago shows if anything an even more moderate language used by both speakers.

Romanian President Ceausescu referred to the forthcoming anniversary on August 23 of the national anti fascist armed insurrection in Romania, without even alluding to the role of the Red Army which in 1944 liberated large parts of Romania. He also praised China's "outstanding contribution to advancing the prestige of Socialism in the world" as well as the successes of China.

Danish balance of payments deficit smaller

By Hilary Barnes

COPENHAGEN, August 17.

THE DANISH balance of payments deficit in the second quarter fell to DKr 500m (£46.81m), the smallest quarterly deficit since the third quarter of 1975, according to the Bureau of Statistics.

The second-quarter deficit last year was DKr 2.3bn. The first-half deficit this year was DKr 3.4bn, compared with DKr 5.2bn last year. The Deficit for all of 1977 was DKr 10 bn.

There was other encouraging economic news. The consumer price index, which regulates pay rises and is net of indirect taxes, rose by 7.6 per cent in the 12 months to July, but at an annual rate of only 4.1 per cent in the three months to July.

Reuter adds from Esbjerg: Danish seamen tonight called off their blockade of container ships which sail between Esbjerg and Britain, a union spokesman said the decision to end the two-day action came after talks between the strikers and the seamen's union.

The seamen, who sought pay increases of up to 75 per cent, initially halted passenger and cargo services, but yesterday permitted car-ferry services to sail again.

THE ZAIRE-ANGOLA TALKS

Mutual mistrust underlies a crucial meeting

BY OUR OWN CORRESPONDENT IN LUSAKA

PRESIDENT Agostinhi Neto of Angola and Mobutu Sese Seko of Zaire are to meet in Kinshasa on Saturday. The talks are prompted by an array of internal and external pressures on both men and will aim at easing long-standing tensions between two of Africa's most bitter foes.

Any optimism generaed by the prospects of meeting, however is temperad by the deep mistrust felt by two ideologically hostile neighbours who have persistently supported attempts at insurrection by the other's internal foes.

President Mobutu is under strong western pressure, following last May's rebellion in mineral-rich Shaba province, to effect detente with Angola. This would be in return for a Western-backed economic rescue operation aimed at offsetting the dire results of the Shaba insurgency, which hit production of both copper and cobalt. Fresh western-sponsored talks on economic revival are due to be held in October in Brussels.

The autocratic and pro-Western Zairean leader, is apparently anxious to come up with proof that he is complying with western conditions—which include demands that he start trying to rectify his crisis-stricken economy—thus he is keen to put into effect an agreement in principle with Angola to reopen the British-owned Benguela Railway running from Shaba to the Angolan Atlantic port of Lobito.

Reopening the line would significantly improve the copper exporting capability of both Zaire and Zambia, whose president, Dr. Kenneth Kaunda, has been instrumental in persuading the two men to meet. Benguela Railway officials have been advising Zambian mining authorities that they anticipate limited shipments along the line in about three months. Before its closure in August 1975 because of the Angolan civil war both countries used the line for over 50 per cent of their copper exports. Zambia is now committed to the congested Chinese-built Tazara line to Dar es Salaam, while Zaire uses the lengthy southern route to South Africa, via Zambia and Rhodesia, and its own laborious (voie nationale) rail-river route to Matadi.

Reopening the line is very much the measure by which Angola's internal stability can be judged, since it has frequently been put out of action by the Unita guerillas of Dr. Jonas Savimbi. Unita was defeated by Dr. Neto's Cuban-supported MPLA in the civil war which ended in 1976 but has since been waging a dogged guerilla campaign in the centre and south of Angola in the face of frequent and thus far unsuccessful Government attempts to quash it.

President Neto has said he is prepared for the line to re-open provided Zaire withdraws support for anti-government guerillas of both Unita and the second pro-western group defeated in the civil war—Hholden Roberto's Kinshasa-based FNLA.

President Neto has informed President Mobutu indirectly that he is ordering the disarmament of Col. Nathaniel M'Bumba's FNLC which withdrew to its Angolan bases after the bloody masacres in the Shaba mining centre of Kolwezi last May. Zaire and Angola have already agreed on repatriating each other's refugees—of which there at least 500,000—and this seems to include agreement in principle for both sides to ditch the surrogates they have thus far used against each other: the FNLA and FNLC.

President Neto's trip to Kinshasa could have wide-ranging repercussions in Africa and the West. For one thing it is the first sign for a long time of a readiness to talk across the East-West ideological gulf that is increasingly dividing the Organisation of African Unity (OAU). It also coincides with Luanda's gradual readiness to co-operate with the West to offset its continuing dependence on the Soviet Union and Cuba—although President Neto has made clear that while he is ready to go as far as establishing diplomatic relations with Washington, this does not mean he will either abandon his Marxist aspirations or reduce the number of Cuban troops in his country as a trade-off.

Presidents Neto and Mobutu both need a stable common border—in Zaire's case to stave off further FNLC attacks and induce some of the 600-700 foreign technicians who ran the Kolwezi mines to return, and in Angola's case to stabilise the north of the country and the oil-rich Cabinda enclave so that Cuban and Government forces can concentrate their attentions on Unita in the agriculturally rich central belt and remote southern area. Neither country has enough trained personnel both to promote a simmering border dispute and engineer the economic revival they need to fully exploit resources of coffee, diamonds and minerals.

It seems certain, however, that the Kinshasa talks alone will not be enough to bring real stability to either country. Angola has supported the Western initiative on Namibia since its main hope of defeating Unita lies in a Swapo-dominated settlement in Windhoek that will rob Dr. Savimbi of his prime supply base. The U.S. is reported to have assured President Neto that it will not provide fresh covert support to Unita despite plans to do so at the time of the Shaba crisis. Until South Africa is prevented from supporting Unita in Namibia, however, there seems little prospect of domestic peace in Angola that would lessen Luanda's dependence on the Soviet Union and Cuba and guarantee the viability of the Benguela line.

President Agostinho Neto: under pressure

President Mobutu faces different problems, even if Dr. Neto delivers up the FNLC. The disaffection of the Lunda tribe in Shaba from which Colonel M'bumba draws his main support is such that the area will remain a potential flashpoint until President Mobutu reverses his previous repressive policies and allows the Lunda a degree of autonomy and a far greater share of the province's copper and cobalt revenues. The Kolwezi mines are running at anything between 50 and 30 per cent of pre-crisis levels, and Zambian mining sources estimate that 1979's cobalt production from Zaire, the Western world's biggest cobalt producer, will be half of its record 16,000 tonnes. Mining experts say that unless a substantial number of foreigners can be coaxed into returning to a stable Shaba, the Kolwezi mines that account for over a third of Zaire's net foreign exchange can only slide further into inefficiency.

Underlying the chances for real detente between Zaire and Angola, however, is the deep mistrust between Zaire and Angola that will make any initial steps towards reapproachment fragile and prone to fresh flare-ups of tension.

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OVERSEAS NEWS

India's feuding Cabinet close to a compromise

BY K. K. SHARMA

NEW DELHI, August 17.

AN UNEASY compromise appeared today to have been reached between the feuding factions of the ruling Janata Party and its principal leaders.

The party crisis began about two months ago when Mr. Charan Singh and Mr. Raj Narain resigned as Home Minister and Health Minister, respectively, after criticising Mr. Morarji Desai, the Prime Minister.

After prolonged mediation efforts by a number of Janata leaders it was agreed at an emergency cabinet meeting this morning that Mr. Charan Singh should be asked to become President of the Janata Party in place of the present incumbent, Mr. Chandra Shekhar. Mr. Charan Singh is expected to be installed in the post on September 3.

In return, Mr. Charan Singh and Mr. Raj Narain have agreed not to make statements to parliament on their resignation from the Cabinet. They had threatened to make further charges against Mr. Desai's son, Kanti, who is already under a cloud for alleged corruption and for making use of his father's office for his own purposes.

Mr. Desai is thought to be distinctly unhappy over the compromise since it gives Mr. Charan Singh a key party post which he can use to criticise the government. If he takes over on September 3, he will be party president shortly before party elections are to be held for the first time in October and thus gains important leverage. It is now likely that his Bharatiya Lok Dal (BLD) faction in combination with the Jana Sangh group will dominate the Janata party.

This has caused considerable dismay among other groups, notably people formerly belonging to the Congress. These include Mr. Jagjivan Ram, the Defence Minister, Mr. H. N. Bahuguna the Petroleum Minister, and Mr. Desai himself. Mr. Chandra Shekhar, who is to step down as the Janata president, is also a former member of the Congress. In view of the unhappiness of these important members over the settlement, it is thought that the compromise will be temporary and it is on the cards that factional quarrels will break-out again.

Mr. Desai is thought to have accepted the compromise to avoid bringing further charges against his son into the open. He has said frequently that he will not deal with Mr. Charan Singh unless the latter withdrew charges he has levelled against Mr. Kanti Desai. No charge has been withdrawn and, in fact, the Janata's General Secretary, Mr. Madhu Limaye, has resigned because Mr. Desai has not acceded to the demand that his son should not live in the Prime Minister's house.

The issue of the charges against Mr. Desai's son is, however, far from over. Mr. Desai last week suffered a major defeat when the upper house of parliament, the Rajya Sabah, adopted a motion asking the Government either to appoint a commission of inquiry to investigate the charges or allow a parliamentary committee to do so. The matter was raised in the House again today and a government spokesman told the chairman that he would let him know the Cabinet decision on the motion soon.

New image of Yugoslavia is being promoted in China

BY DAVID HOUSEGO

CANTON, August 17.

A WIDESPREAD campaign has been under way in China to rehabilitate the image of Yugoslavia, one of the three East European countries Chairman Hua Kuo-Feng will visit on his present trip, and once considered a renegade socialist state.

"We are going to improve our management and we think that some of the ideas of Yugoslavia may be suitable," said Wuh Ssieh-yien, a senior official at the Kwangtung silk factory, before showing me round. The plant is about 15 miles from Canton, weaves silk mostly for export and si a showpiece project.

The Yugoslavian ideas to which Miss Wuh was referring were the encouragement of profits for reinvestment and incentive bonuses to achieve higher output, although Miss Wuh did not phrase it quite as bluntly as this.

In recent months there has been increasing evidence that senior party cadres throughout the country have been briefed on Yugoslavia's methods of "self-management" for running state enterprises and that the Chinese party leadership has been impressed by the successes of the Yugoslav economy. Self-management, under the Yugoslav system, means considerable autonomy for an individual plant and participation by the workers in key decisions on prices, production and investment in which they have an interest through the distribution of higher profits.

Foreign observers in Peking disagree on the significance of this "learning from Yugoslavia." The Yugoslavs were ostracised by other Communist parties in 1948 for such doctrinal heresies as espousing self-management. The bad name has lingered in the minds of many Chinese party officials.

The present campaign, therefore, may be nothing more than an attempt by the Chinese leadership to erase this impression at a time when China is looking to Yugoslavia—as to Romania — as a key element in its high profile foreign policy of countering what it considers Russian imperialism.

The Chinese made the gesture of allowing President Tito of Yugoslavia, during his state visit here last September, to be the first foreigner to enter Chairman Mao's mausoleum. Since then, delegations have passed back and forth and, most important of all, the two Communist parties have established strong fraternal links.

Some foreign observers believe, however, that the combination of party directives from Peking about the Yugoslav system and the visit of Chairman Hua to Belgrade point to the type of socialism in which the new Chinese leadership is interested. Specifically, they see the Chinese leaders, worried about their inability to get their workers to work, turning to Yugoslavia's pattern of self-management as the model on which to base the running of their own state enterprises.

This still seems a far-fetched interpretation. It took Yugoslavia almost 15 years to make self-management work. The Chinese are only just switching away from an unsuccessful system of revolutionary committees managing an enterprise to placing full responsibility on the shoulders of a director whose task it will be to secure higher efficiency and output.

Frelimo ousts party chiefs

By Our Foreign Staff

MOZAMBIQUE'S RULING Frelimo Party has expelled a Cabinet Minister and three central committee members, Maputo radio—monitored in London—reported yesterday.

The central committee had noted serious cases of deviation, indiscipline and corruption which violated Frelimo's revolutionary ideology, the radio said.

It said Agriculture Minister Joaquim Carvalho had been expelled because his view of development went against the advance towards socialism as laid down by the party.

Palestinian chiefs to meet

BY IHSAN HIJAZI

BEIRUT, August 17.

PALESTINIAN guerrilla leaders are to hold an important meeting in Damascus next Tuesday to discuss proposals for Palestinian unity.

The talks will be within the framework of the Palestine Central Council (PCC), the 55 member policy making body of the Palestine Liberation Organization.

Al-Fatah, the main organisation, has completed a unity plan which it intends to bring before the PCC, it was announced. Five other groups, forming the "Rejection Front" two months ago called for the establishment of a new leadership of the heads of all the guerrilla factions.

In a note to Fatah, they complained of what they called Fatah's dominance.

Fatah leaders have been in contact with the 'rejectionists' to discuss unity ideas

Fatah had also been in touch with the pro-Iraqi Palestine Liberation Front (PLF). The talks preceded the big explosion last Saturday night which destroyed a nine-storey building where both Fatah and the PLF had maintained offices.

Guerrilla leaders have discounted speculation that the incident was part of the feud between Palestinian factions. The PLO has blamed U.S. and Israeli intelligence agents.

Rhodesian call for all-party conference

By Our Own Correspondent

SALISBURY, August 17.

SENATOR Chief Jeremiah Chirau, a member of Rhodesia's ruling four-man executive council, tonight came out in open support of new all-party peace talks with externally-based guerrilla leaders.

Chief Chirau, the most conservative of the three moderate black leaders joined with Prime Minister Ian Smith in Rhodesia's transitional Government, declared that the majority of the country's 6.8m blacks and 260,000 whites wanted the Administration to attend all-party talks.

Britain and the U.S. have been making intensive diplomatic efforts for the past two months to get the tranisitional Government round the conference table with Patriotic Front guerrilla leaders Mr. Joshua Nkomo and Mr. Robert Mugabe.

Chief Chirau's statement is the first positive indication that the Salisbury leaders will drop their resistance to new settlement talks.

Mr. Smith is known to have been resigned for more than a month to the prospect of attending the Western-sponsored talks in the face of mounting military and economic pressure

The transitional Government's firm agreement to new talks has reportedly been held up by the reluctance of the other two black leaders, Bishop Abel Muzorewa and the Rev. Ndabaningi Sithole.

The two feel considerably more confident of popular support and appear anxious to attempt universal suffrage elections scheduled for early December in terms of the Salisbury agreement.

Chief Chirau's statement is seen as reflecting Salisbury's current harsh realities—that universal suffrage elections will be virtually impossible with 7,000 guerrillas operating throughout the country and thousands more ready to infiltrate to smash any attempt to get blacks to the polls.

Michael Holman writes in Lusaka: Mr. Robert Mugabe tonight called on Britain to convene the proposed all-party conference even if members of Rhodesia's interim Administration refused to attend.

Mideast bid 'a high risk' for Carter

By David Buchan

WASHINGTON, August 17.

PRESIDENT CARTER today acknowledged that he was running "a high risk" politically in calling the Camp David summit between Prime Minister Menahem Begin of Israel and President Anwar Sadat of Egypt next month, and if it fails "I will have to share part of the blame."

But he said the stakes were high, with one result of failure being a possible new conflict in the Middle East. The U.S. was, he said, not just "a non-interested party or message carrier" in the dispute.

The President said he had had no assurances from either of the two Middle East leaders ofa fundamental change in their positions. But the Administration, which would be a full partner in the Camp David talks, would help both parties explore their differences and ways of bridging them.

The Camp David meeting comes at a crucial time for Mr. Carter's domestic political fortunes—on the eve of the autumn Congressional election campaign.

L. Daniel writes in Tel Aviv: Letters of protest have been sent by the "Peace Now" movement to Israeli Government leaders following the disclosure that wives and children of settlers in two military camps in the West Bank are about to join the menfolk.

While the camps are not new settlements, "Peace Now" feels that the transfer of families there amounts to an infringement of the spirit of the agreement to suspend all settlement activity before the Camp David meeting

Coup attempt thwarted in Afghanistan

RAWALPINDI, August 17.

AFGHANISTAN'S rulers have smashed a plot to overthrow the new left-wing Government and arrested the Defence Minister and chief of Army staff, Kabul radio said tonight.

Defence Minister Abdul Khadir, a former Air Force officer, spearheaded a bloody coup on April 27 which ousted President Mohammad Daoud and brought in the new Government.

Kabul radio, monitored in Rawalpindi, said the plot was foiled when the Government of President Noor Mohammad Tarakki checked the subversive activities of "some dishonest persons."

The chief of Army staff, Major General Shahpur, and the head of a Kabul hospital, Dr. Mir Ali Akbar, were also arrested, the radio said.

Kabul radio did not say how many people had been arrested following the discovery of the plot to overthrow the Government. But it said President Tarakki had assumed the Defence Ministry.

THE NEPALESE OPPOSITION

Murmurs of discontent in the land of the Sherpas

BY A SPECIAL CORRESPONDENT, RECENTLY IN KATHMANDU

THE royal crown in the ostensibly tranquil land of Sherpas, Everest, hippies and exotic temples rests uneasily these days. A threat of more violent opposition to King Birendra has emerged as disillusioned students and frustrated members of the outlawed Nepali Congress Party in the southern border areas turn to the radical communist Naxalites from India. Nepal's outwardly placid villagers are also unhappy, refusing to pay heavy government taxes and becoming involved in clashes with police and officials.

Precariously located between India and China, with a 500-mile border along the eastern Himalayas this once-forbidden Hindu kingdom has only been open to the outside world for 26 years.

For the moment the King is well-entrenched. The army remains strong and loyal, and as a monarch and Hindu deity Birendra is a powerful embodiment of the union of church and state for most Nepalese. He is actively pressing for further economic development and building numerous international links in an effort to secure a niche in the world for a modern Nepal.

But while the King has allowed some liberalisation over the past year, his Government is adopting new tactics to deal with the activities of the banned opposition Nepali Congress Party. Now, instead of being arrested, its leaders are barrassed and intimidated by gangs of hired hooligans, which for the government conveniently reduced the possibility of embarrassing international protests.

B. P. Koirala, its leader, has already suffered eight years imprisonment and eight years self-imposed exile in India. In 1959, he became the country's first democratically-elected Prime Minister, but two years later Birendra's father suddenly seized total power and threw B. P. and numerous politicians and student leaders into prison. When released Koirala fled to India until 1976. On return, he was instantly arrested and tried for the violence of the late 1960's when Party members tried to assassinate the King and government officials, hijacked a plane and currency shipment and frequently raided across the border from India. The Government replied to each assault with equal violence and brutality.

Last year, Koirala's initial trial was interrupted by emergency evacuation to the U.S. for surgery on a blocked neck artery but back in Kathmandu he was rearrested and tried in March this year. A "one man tribunal" acquited him, of five of six charges of sedition and treason, any of which could have carried the death sentence, and he quickly flew back to the U.S. for a second crucial operation.

Then two weeks ago, word of trouble brought Koirala rushing to New Delhi, but not to Kathmandu since the Government's appeal against its own tribunal's acquital guarantees his fourth arrest. The King is said to be considering M. P. Koirala, B.P.'s half-brother, previously prime minister in 1951 and openly the King's man, as the next prime minister. Several prominent party members are making moves

Mr. B. P. Koirala, leader of the Nepali Congress Party

toward leadership or attempting to establish themselves as Koirala's heir apparent.

Apart from its loss of support to the violent Naxalite movement and the Nepali Communist Party, the Nepali Congress Party has also been greatly weakened by the decision of 38 once-staunch members to swear public allegiance to the monarch, though not specifically to the "panchayat" or "partyless democracy" system of severely-controlled village, district and national representation.

On top of this, Koirala's health is still frail and the two operations have left his charismatic voice only a whisper at the very moment that the party needs a unifying voice. He now hopes international support from the Socialist International meeting in Paris in September could make his return easier.

Birendra himself is thought not to feel personally antagonistic towards BP, but tough conservative members of the Royal Family and cabinet fear him and his young, well-educated supporters and especially his strong ties with India and J. P. Narayan, the father of India's Janata Party. Janata has made no secret of its support of the Nepalese Congress Party and the further spread of democracy in the region.

Nepal plays a careful balancing game with its two huge neighbours. Relations with China are strong with a large aid programme, though observers see this feudal monarchy and its massive Communist neighbour as very strange bed fellows. Some speculate that China might secretly back the Naxalite violence or the local Communist Party if either gained any substantial strength or following. Yet China would seriously hesitate before giving India the vaguest justification to storm into Nepal's defence and gain closer access to China's Tibetan border.

A measure of communist strength revealed itself after the July 2 death in India of Pushpa Lal Shrestha, the exiled Communist Party leader. His ashes were greeted on arrival in Kathmandu by a huge, illegal rally.

Meanwhile, whatever the fate of the various opposition parties, villagers are beginning to voice their protests. During spring elections, when three-qaurters of the votes were declared "invalid because of voters' ignorance in using pens to mark ballots," enraged villagers who believed their candidate was kidnapped attacked armed policemen with bamboo sticks. At least five were shot dead, and many wounded. Later, in the Siraha district, villagers rallied round a police outpost in support of two alleged Naxalite prisoners. All were savagely beaten and several women raped when police reinforcements arrived.

Inside the Government, corruption and bureaucratic ineptitude are rife. Though a dedicated elite of highly competent and intelligent young men, hand-picked by their 31-year-old King, is struggling with the mammoth task of development, civil servants beneath them fear to make decisions and are often simply not competent.

The Government is most efficient in collection of taxes which have quadrupled since 1973. But the national infrastructure is too weak and too rudimentary to return real benefits of any size or quality to the taxpayer. Over the last month, two entire village councils resigned in a protest against taxes. The whole Chitwan district has refused to pay its taxes and one official was arrested under the Treason Act for collecting 1,100 signatures on a petition protesting Chitwan's tax burden. Nevertheless, in its new 1978/79 budget, the Government again increased and taxes by 40 to 60 per cent.

Nepal is one of the poorest of the 25 Least Developed Countries (LDCs) on the UN's list. The annual national per capita income is $110, but in remote hill areas it is less than $30 and dropping. The economy is growing at 2.2 per cent a year, the population is increasing at

King Birendra of Nepal

an annual rate of 2.4 per cent, but this year's food grain production has dropped by 3.5 per cent. Over 90 per cent of the 13.3m population grubs a bare existance from subsistence farming though only 22 per cent of the country is arable land and that sparse quantity is rapidly disappearing as fuel shortages lead to forest deterioration and subsequent erosion.

Of the £168m 1978/79 budget revealed in July, over 54 per cent is derived from foreign aid. Inflation, deterioration of agricultural productivity, little industrial potential, minute natural resources (beyond wholly unexploited hydro-power), a dramatically adverse balance of trade and the increasing dependance on aid, all paint a gloomy economic picture.

Much whispered bitterness focuses on the Royal Family which owns the lion's share of Kathmand's hotels, travel agencies, single casino and many major industries. But the Royal Family's imperious business dealings are beyond open criticism. When a British newspaper recently mentioned the Royal cut of 40 per cent from the casino, its Korean manager was given 48 hours to leave the country as punishment for confiding in the press.

Nepal's aristocracy is unlikely to sacrifice its fuedal privileges to Birendra's reforms willingly. The economic battles will not be easily or quickly conquered nor the currents of protest quelled. Neither Birendra or his Government can please all the powerful factions involved. It may be easier to meet the Nepali Congress Party pleas for reconciliation and multi-party democracy than eventually face far more potent opposition from the communist front.

AMERICAN NEWS

Firestone negotiates over radial tyre recall

By John Wyles

NEW YORK, August 17

THE U.S. National Highway Traffic Safety Administration is expected to decide "within a month" whether Firestone Tire and Rubber should be forced to recall all the 13m "500" steel-belted, radial tyres thought still to be in use.

However, the issue of an order may be forestalled by a negotiated settlement between Firestone and the U.S. government. Firestone has hired Mr. Clark Clifford, a leading Washington lawyer, and the agency confirmed today that Mr. Clifford had met Safety Administration lawyers "on a couple of occasions."

The agency would not confirm that negotiations on a possible settlement were under way, but said that a final decision on the recall issue should be made in the next month.

Firestone admitted for the first time two weeks ago that controversy over alleged safety defects of the "500" was affecting earnings from sales of it. These look likely to be lower this fiscal year than last.

Its reputation was not helped by NHTSA hearings in public on the recall question the week before last, when victims of crashes allegedl ycaused by the failure of the Firestone tyre received much public attention. Although the company said that it was willing to take a reasonable and appropriate action" to allay public concern, Firestone maintained its view that the tyre is safe and that any malfunctions are due to misuse by customers.

But the company's lawyers have indicated that it would consider publicising more widely its earlier offers to make free safety checks for customers. The "500" tyre was manufactured by Firestone between 1972 and early this year.

The Safety Administration having determined that the "500" has a safety defect, it would now be surprising if it did not order a recall. Estimates of the cost to Firestone of supplying alternatives to the tyres range from $150m to $200m. IWth the public controversy hitting its earnings and its share price, the company's apparent desire for a negotiated settlement is understandable.

Carter protects spending on NATO, vetoes Bill

BY DAVID BUCHAN

WASHINGTON, August 17.

PRESIDENT CARTER today vetoed the $36.9bn Bill to authorise the procurement of weapons next year, because Congress made heavy cuts in his high-priority programme for NATO order to pay for a fifth, nuclear-powered aircraft-carrier which the administration does not want.

Mr. Carter, who had only until the end of today to act before the Bill would automatically have become law, said that he would co-operate with Congress to prepare a better Bill which would not waste our national defence dollars.

The President, announcing what is his third veto this year to a news conference, said, "it is not a question of money, but of how that money is spent." He objected in particular to the $800m cuts in proposed spending on army weapons and equipment, much of them affecting U.S. forces in Europe; to the $200m cut in air force weaponry; reductions in funds for weapon research and development, and to the $500m cuts in programmes *to improve military readiness.*

This last programme he described as "unglamorous, but necessary." It is a part of the big U.S. commitment to its NATO allies, made at the summit in Washington in May of alliance leaders, to reduce the time in which U.S. reinforcements can be deployed in Europe. As such, the president's veto today is likely to be welcomed by NATO allies.

The Carter administration has provided the main push behind NATO's recent pledges to im*prove its readines for* combat and capability to reinforce along with a 3 per cent annual increase in defence spending. The president evidently felt that Congress was undermining this.

Mr. Carter also attacked the inclusion in the authorisation Bill, which does not cover nuclear weapons, of some $2bn for a fifth, nuclear-powered aircraft-carrier. He said this would be "the most expensive ship ever built." Also, aircraft to put on it and ships to protect it would cost billions more in years to come. The president, who was a proponent of a *nuclear-powered navy when he* served in a nuclear submarine, said today that the navy was moving towards being a force with a disturbingly small number of ships which were increasingly costly.

The administration, some members of Congress, and even a few senior navy officers, argue that big nuclear carriers present too expensive a target to the increasing numbers of Soviet anti-shipping missiles.

Mr. Carter rejected reporters' *suggestions that he had made* the fifth veto in his presidency to show that he meant to get tough with Congress. He also saw no reason why the veto should complicate further the chances for progress of other legislation, such as that on energy.

He said that the issue of the fifth nuclear carrier (three are already in service and a fourth is under construction), which would not be completed until 1987 had no relevance to energy legislation, which was an immediate problem.

Blumenthal seeks tax support

BY OUR OWN CORRESPONDENT

WASHINGTON, August 17.

THE U.S. Treasury Secretary, Mr. Michael Blumenthal today took the fight for the Carter Administration's tax cut proposals to the Senate, and urged *the Finance Committee there to* provide more tax concessions for middle and lower income earners.

Last week, the House of Representatives passed a $16.3bn tax relief Bill which is strongly opposed by the Administration because too much of the benefit would go to individuals earning more than $50,000 a year and to holders of capital gains.

Mr. Mlumenthal said he had no quarrel with the overall size of the House tax cut. "It is within a reasonable range of tax cuts tht will maintain growth without increasing inflation, he tol dthe Senate iFnance Committee. The Administration has in any case scaled down its request for a tax cut from $25bn to $20bn, while at the same time asking Congress to trim a fur*ther $5bn off public spending* next year to bring the 1979 deficit down to $43.5bn.

He also said the House Bill's split between $10.4bn in personal tax relief and $4bn in business tax reductions is "acceptable" to the Administration. "But we do not like the distribution of the cuts among taxpayers," he said.

Specifically, he said the share of total individual tax cuts going to those earning below $20,000 a year should be increased from 25 per cent (as in the House Bill) to 40 per cent, while the share for those earning more than $50,000 a year should be reduced from 24 per cent to 10-15 per cent.

The Treasury secretary cited an opinion poll of lost month showing that Americans con*sidered tax reform the country's* third most pressing problem—behind inflation and crime—and that tax "reform" was more generally equated with tax fairness than with tax reduction.

The secretary warned that any tax cut substantially larger than that passed by the House would create serious inflation pressures.

"Whatever temporary benefits might be obtained through lower tax burdens would be quickly negated by the resulting rise in prices and interest rates. In addition, tax incentives for business investment and job creation would be undermined.

NY newspaper talks collapse

BY OUR OWN CORRESPONDENT

NEW YORK, August 17.

TALKS AIMED at ending the strike, now in its ninth day, which has closed down the main New York City newspapers, ended in confusion last night without progress having been made over the last three days.

The Pressmen's Union, whose members have struck at the three newspapers over a manning issue, *apparently halted the* negotiations last night when a management proposal failed to materialise. The union had been led to expect an initiative from the publishers by a Federal mediator who, according to one source later admitted that he had misunderstood.

Although the publishers expect talks to resume next week, no-one is predicting an early settlement and, with advertising volume low in August as usual there are worse times of the year *for newspapers to face a strike.*

Both sides, however, are anxious to avoid a repetition of the 114-day strike in 1962-63 which was held responsible for the subsequent demise of four daily newspapers. Of those affected in the present dispute, the New York Times and the Daily News are profitable, but the afternoon paper, the New York Post, is not. A spokesman for the Post, which is owned by Mr. Rupert Murdoch's News International, said today that the paper was probably losing less while it was not publishing.

Although strenuous efforts are being made to reach potential customers, owners of cinemas, theatres and department stores are worrying about the impact of the strike on their businesses. Their concern was echoed yesterday by Governor Hugh Carey of New York, who urged the Pressmen's Union to consider the effect of the strike on "basic business."

The publishers say that union negotiators have as yet shown no readiness to accept the principle of reduced manning which is at the heart of the dispute New printing methods have reduced the newspapers' manning requirements by about 50 per cent, and the publishers are seeking to achieve reduction in a new three-year contractto succeed one which expired at the nd of March.

Argentina and Chile break off territory talks

BUENOS AIRES, August 17.

ARGENTINA and Chile have unexpectedly broken off talks on their disputes over terri*tory near the southern tip of* South America.

The latest round of talks ended here yesterday, two days ahead of schedule, when the Chilean delegation left suddnly for home. Argentine government sources said that the departure was not a walkout

The Argentinians said the talks were due to resume within the next two weeks. But in Santiago, Foreign Ministry sources said that the Chilean delegation had left because the Argentine side was making unacceptable proposals.

Delegations from the two countries have been meeting periodically since May to try to settle conflicting territorial claims which were not resolved *by arbitration last year which* ruled that three islands in the Beagle Channel near Cape Horn should belong to Chile. The disputed area is potentially rich in oil and fish.

Reuter

U.S. COMPANY NEWS

GULF OIL to divert uranium production from Canada; Woolworth earnings up sharply; Prudential U.S. eyeing Japanese market—Page 22

Nitrites in meat danger

BY OUR OWN CORRESPONDENT WASHINGTON, August 17.

THE U.S. Agriculture Department and the Food and Drug Administration have drawn up a plan to ban the use of nitrites as a meat preservative in the $10bn worth of cooked meats which are consumed every year in the U.S.

The plan, which would force great changes in the U.S. meat industry, and may have repercussions abroad, is still being discussed within the administration. It follows a study, released last week, by the Massachusetts Institute of Technology which showed that nitrites in large doses cause cancer in animals.

One dilemma connected with a ban on nitrites is that the compounds are widely used to prevent botulism, a virulent food poison, and to allow meat products to be shipped and stored without constant refrigeration.

The government plan provides for the gradual phasing out of nitrites (no timetable has yet been set), and for discussions with the meat industry on alternative methods of handling and storage.

Canadian spending cuts

OTTAWA, August 17.

THE CANADIAN Treasury Board President, Mr. Robert Andras, said that the federal government will trim C$2.5bn from its current and planned spending over the next two years.

He told a news conference that the cabinet has already decided on C$1.5bn of spending cuts and additional reductions "of at least C$1bn" will be announced in coming weeks.

Mr. Andras said that the government is going beyond a commitment given by the Prime Minister, Mr. Pierre Trudeau, in a speech on August 1 when be said that C$2bn would be cut from spending.

Reuter

CHILEAN ECONOMY

Copper-bottomed optimism

BY ROBERT LINDLEY, RECENTLY IN SANTIAGO

CHILE, WHICH during the 40 years before the 1973 Pinochet coup d'etat had one of the highest inflation rates in the world, has been bringing it down steadily.

Every year for the last three, the Chilean economic team, applying precepts of Manchester liberal economy—as brought up to date by Professor Milton Friedman and other Chicago economists— has halved the rate of inflation. It is expected to be about 30 per cent this year.

Hopes of attaining zero inflation rest largely on Chile's copper reserves. They amount to a quarter of the world's known reserves. Of all the copper exporting countries, Chile is the only one to be doing so profitably today.

This is so in spite of the current *slump in the world* copper market, which now, however, seems to be ending. Last month, the world price rose from $0.58 a pound to $0.63. "If the price of copper were to rise in 1979 to around $0.74," says Sr. Sergio de Castro, who is Treasury Minister and, as such, head of the economic team, "I would say that inflation in Chile would drop to very near zero."

Yet Chile is relying less and less on traditional exports, of which copper is the principal one. *Last year*, exports of forest products increased by 400 per cent and exports of fruit by 250 per cent.

This is happening largely thanks to low production costs in Chile—although the fact that many types of trees grow twice as fast in Chile as they do in Sweden, for example, has helped. The low production *costs are attracting criticism of* Government economic policy from the Roman Catholic Church and the labour unions.

"The economic policy," Cardinal Silva Henriquez said in Santiago recently, "is a lean thing, because the social problem is given only secondary importance . . . it is bad in every way." The Cardinal said the Church does not agree that success, egoism, self-interest and the race for profits should be the only stimulants to production.

Labour leaders have declared the 10 per cent re-adjustment. Even the *pro*-Government leader of the mine workers, Sr. Guillermo Medina, says it is not enough to offset the increase in the cost of living.

It was Gen. Gustova Leigh's declaration about the "social cost" of the revolution, as well as his call for a return to democracy within five years, which provoked President Pinochet to depose him as air force Commander-in-Chief and member of the the military junta last month.

But leaving aside the social question, all is not well with the Chilean economy, and the *members of the economic team* admit it.

The most serious economic problem is unemployment. The Central Bank puts it at 13.2 per cent.

The debt-export ratio of between 55 and 57 per cent is probably the highest in the world and is not expected to drop substantially before the early 1980s, although Chile is importing only half as much as it did last year and total investment, foreign and domestic, is performing weakly.

Chile has the most liberal foreign investment law in Latin America, and possibly in the world. Yet the only substantial single foreign investment this year was the purchase last month by Diamond Shamrock, one of the largest U.S. petrochemical companies, of the petroquimica Chilena caustic soda plant from the Chilean Government for $10.2m.

Continuing doubts about the stability of the Pinochet regime seem to be to blame. Very high domestic interest rates—more than 30 per cent in the peso market and about 15 per cent in the dollar market—mean that there is no long-term market in Chile at all.

The most serious economic problem, according to Sr. Miguel Kast, assistant director of the Office of National Planning, a Chicago graduate, is high unemployment. The Central Bank puts it at 13.2 per cent.

Sr. Kast says: "We have brought down unemployment by one-third in the last two years, but it is not enough. Unemployment still is a very serious problem."

The Government is training workers, 50,000 of them last year, and 300,000 in 1979. Companies are allowed to deduct the tuition *costs from their taxes for* training their own workers. Social expenditures now make up 53 per cent of the budget. This was made possible by the reduction of Government expenditure in the "productive" area: the 498 companies owned by the state at the time of the fall of the Government of President Salvador Allende in 1973, were losing about $500m annually. "We have sold most of those companies," said Sr. Kast. "Those which remain lost $18m last year. This *year we hope* they make a profit of $18m."

WORLD TRADE NEWS

W. Germany reduces Arab oil purchases

By Jonathan Carr

BONN, August 17.

WEST GERMANY markedly reduced its dependence on imported oil from Arab states in the first half of this year, thanks partly to higher deliveries from *Britain and Norway.*

This emerges from figures released here today by the Economics Ministry. They also show Germany achieving an overall surplus of DM 1.2bn with the Arab world in the January-June period in trade markedly down by value against the same period of 1977. German imports from Arab countries were down by 23.4 per cent to DM 6.5bn and exports down by 5.7 per cent to DM 7.7bn.

West German oil imports *totalled 43.8m tonnes in the first* half—8.3 per cent lower than the figure for January-June, 1977. Of that total 25.4m tonnes came from Arab states, a reduction of 18.3 per cent against a year earlier, and 18.4m tonnes came from other oil producing states (including Iran), a rise of 10.2 per cent.

This means that Arab countries this year are supplying 58 per cent of West Germany's oil import needs against 65.1 per cent last year. Other states are delivering 42 per cent of imports against 34 9 per cent before.

The Arab countries experiencing the biggest cuts in oil exports (by quantity) to West Germany include Libya (down by 25.5 per cent to 7 6m tonnes), Saudi Arabia (by 29.5 per cent to 6.7m tonnes), and the United Arab Emirates (by 15.4 per cent to 3.3m tonnes).

Among the non-Arab states, Iran exported 1.2 per cent less oil (8m tonnes) to West Germany in the first half than it did in the same period of 1977. *Nonetheless, it moves up to first* place as this country's biggest single source of imported oil, displacing Libya.

The big gainers among the non-Arab oil suppliers include Britain which exported 2.8m tonnes of oil to West Germany in the first half against 1.5m a year earlier—an increase of nearly 87 per cent.

This means Britain accounts for 6 4 per cent of German oil imports by volume against 3.1 per cent before. Norway exactly *doubled its oil exports to West* Germany to 1.2m tonnes in the same period of comparison.

Japanese car exports will be 'substantially down'

BY ROBERT WOOD

TOKYO, August 17.

JAPANESE car exports will be "down substantially" in August and September due to the higher yen, Mr. Takashi Ishihara, president of Nissan Motors, said today.

Cars and video tape recorders have been the major Japanese products whose sales have continued to increase rapidly in the face of the higher yen over the last year. Recently the Government has been "guiding" the car makers to limit their exports but Mr. Ishihara said the Government guidance has become superfluous, as Japanese car sales have begun to decrease of their own accord due to the price increases forced by the higher yen. The price of a typical Japanese duction of a new model of the *compact car has risen by at least* $1,000 in the U.S. over the last year.

Mr. Ishihara spoke at the introduction ofa new model of the company's "Z car," the sporty compact that has achieved such spectacular success *in the U.S.* over the last nine years that the company says its cumulative sales total of 500,000 has "no equal in the sports car field."

The new model of the Z car is the car's first complete redesigning since it was introduced in 1969. Its styling changes are relatively minor, but the new version is about 75 millimetres wider than the previous model.

In addition to meeting new safety and emission standards, it is said to have better aerodynamics, to shield the passengers better from noise and to give greater comfort in long-distance driving. It will be introduced in the U.S. in late September or early October as the Datsun 280ZX and in Europe at about the same time.

Domestic prices on the new model are up Y48,000 to Y1.46m ($7,700), over the price of the old model. The prices of the new version in overseas markets were not announced. The old version now sells for $10,328 in the U.S.

Sales target for the car is 10,000 a month, with an expected sales distribution indicating about a 10 per cent rise in U.S. sales and more than a doubling of sales in the domestic and non-U.S. foreign markets. Nissan wants to *increase sales of the Z* car to Europe dramatically, but Europe would still not rival the U.S. as a market.

Mr. Ishihara said Nissan did not expect a serious threat from the Mazda RX-7, recently introduced with spectacular success by Toyo Kogyo, a smaller Japanese car manufacturer. The RX-7 is several thousand dollars cheaper than the Nissan Z car. Mr. Ishihara said the RX-7 was "in a class altogether different" *from the Zcar in equipment* and finish.

He said Nissan expects to achieve its target of 2.4m car sales this year.

Shipments to Soviets rise 10%

BY DAVID SATTER

MOSCOW, August 17.

JAPANESE EXPORTS to the Soviet Union rose 10 per cent *during the first half of this year* reversing the decline in exports recorded in 1977, according to figures released by the Japanese embassy.

Japan is the Soviet Union's second largest trading partner after eWst Germany and a par*tial breakdown of the figures* by the Japanese indicates that last year's decline in exports was *caused by a sharp drop in Soviet* purchases of Japanese iron and steel products.

That drop in Japanese exports came against a background of successive 30 per cent increases in Japanese exports to the USSR in the years 1974 through 1976.

The outlook for this year is for Japanese exports and total trade to increase modestly over last year's levels but Japan, like Western countries, is being hurt b ythe across the board reduction in Soviet purchases from indunsirial capitalist countries

In the first half of this year, Japanese exports had totalled $1.15bn in value, an increase over the $1.08bn in exports for the comparable period last year. The increase was attributable to significant rises in machinery and equipment sales together with chemicals exports.

The value of Japanese imports from the Soviet Union for the *first half of this year aws $708m,* a slight decline from the value of imports in the same period last year which was $717m. Japan's principal purchases from the Soviet Union are wood, raw cotton, non-ferrous metals and coal.

Total trade turnover during the first half of 1978 was $1.89bn, a 5.5 per cent increase over the turnover in the first half of 1977 which was $1.79bn.

According to Japanese figures trade for the whole year of 1977 fell 2 per cent from the level reached in 1976 to $3.36bn from 3.42bn in the preceding year.

Polyester plant contract

BY OUR MOSCOW CORRESPONDENT

TORAY INDUSTRIES and Mitsui of Japan have signed a $25m contract with the Techmash-import foreign trade organisation for a polyester fibre plant with a capacity of 5,000 tonnes of yarn per year.

The plant will be built at a polyester complex—Mogliev—and is scheduled to be in operation by the end of 1980. Production will range from the high speed manufacture of polyester filament to the making of drawn textured yarns, using tech*niques developed by Toray.*

Meanwhile, shipments are expected to begin in October on a $38m contract signed by Japan's Asahi Chemical with Techmashimport for the construction of three benzene plants.

Two of the three plants are to produce 120,000 tonens a year and will be located in Kazakhstan. The contract was signed in December and the deal arranged by Nissho-Iwai Company a Japanese trading house.

Mitsui Engineering and Shipbuilding and several other Japanese machine builders will supply macinery and equipment. Asahi Engineering, a subsidiary of Asahi Chemical, will carry out the engineering work.

Hitch for Ericsson in Brazil

By Sue Branford

SAO PAULO, August 17.

A LAST-MINUTE hitch is endangering L. M. Ericsson's chances of winning a £40m contract to supply 50,000 lines for an axe-type SPC (storage pro*gramme controlled*) telephone exchange to be installed in the city of Sao Paulo.

Earlier in the year, Ericsson's Brazilian subsidiary was placed first in the bidding held by Telebras, the state-owned telephone company. But an eleventh-hour obstacle has arisen, following the acquisition by the Swedish Skandia Insurance Company of a 25 per cent stake in Atlantica Boa Vista, a company in the Bradesco group, which in turns controls Atlantica Cia. *Nacional de Seguros*, Ericsson's Brazilian partner.

These complex financial arrangements appear to have overlooked legislation passed in 1966 which regulates the activities of insurance companies in Brazil.

A *report is being prepared by* the agency which supervises private insurance and it is widely believed here that, fearful of creating a precedent, the Government will decide against Ericsson on this issue.

An Ericsson spokesman in Stockholm admitted that a slight hitch had arisen but said the contract was expected to he signed soon. If necessary, he added, Ericsson would find another partner.

Record for UK wool textiles

BY RHYS DAVID

BRITAIN'S WOOL textile exports reached a record £41m in June, more than £5m up on the figure for May of this year and *for June 1977*, according to figures published by the industry in Bradford.

The increase means that after a relatively slow start in export markets this year the industry has for be first time pulled ahead of its 1977 export levels with total sales of £204.8m in the first six months, against £200m in the same period last year.

The big increase so far this year has come in overseas sales of wool cloth, which at £83.5m in the first six months were 22 per cent more than in January-June 1977, more than compensating for a decline in exports of other products such as yarn and raw wool.

The increase in cloth volumes was around 5 per cent with the Middle East and the Far East *showing the main* gains, and worsted cloth performing better than woollen. Sales of worsted to the Middle East in the first half rose from 1.6m square metres to 3.7m square metres and *in the Far East there was a rise* from 1.5m square metres to 2.2m square metres.

In Western Europe sales of woollen cloth declined from 6.7m square metres to 5.7m square metres and in worsted cloth there was a drop from 3.04m square metres to 2.5m square metres. Sales to North America, Australia and New Zealand also declined overall. But the state trading countries, which have been increasing their penetration of the British market over recent years, were better customers, though the quantities purchased are still small.

Other figures published by the industry show that the higher export sales were achieved at a time when overall production was continuing to decline as a *result of the general slack* conditions in textile markets.

Production of woollen yarn fell by 2 per cent in the first six months compared with the same period last year and total *deliveries of woven fabrics* by the UK industry at home and abroad was also down by around 4 per cent. Total fibre consumption by the industry was down by around 7 per cent.

Imports of various wool textile products are at the same time continuing to increase their share of the UK market with different suppliers concentrating in different product areas. Imports of wool tops (combed wool) in the first five months were up 185 per cent over the same period of 1977 with South Africa accounting for 0.76m kilos out of the total of 1.9m kilos. In woollen yarn imports were up 21 per cent to 3.2m kilos with Ireland accounting for 2.2m kilos, an increase of 12 per cent.

However, the most persistent problem so far as the industry is concerned, however, is the continuing pressure which is being exerted on the woollen fabric sector by the Prato district of Italy. Total imports of woollen fabrics at 12.6m sq metres were up 71 per cent, of which Italy accounted for 8.7m sq metres an increase of 82 per cent.

A delegation from the industry has recently visited ministers in Whitehall to see if further action can be taken through the EEC to persuade the Italians to abide by undertakings to restrain the growth in their exports. The industry has yet to receive a reply, however, to its representations.

Israeli clothing sales

BY L. DANIEL

TEL AVIV, August 17.

DESPITE THE adverse conditions on world markets, Israeli exports of fashion wear, including furs and leatherware, rose by 13.2 per cent in the first half of this year, to $81.5m.

Just under 69 per cent of the total sales went to the European Community, and 18.3 per cent to the U.S. Exports to Europe are expected to increase further as buyers representing large French stores are coming to Israeli (Spring/Summer 1979) fashion week for the first time this year.

The week will take place at the Jerusalem Hilton from August 21-24. The French buyers will be part of 300 overseas buyers who have registered for the event.

It is expected that Israel's total sales of fashion wear which also includes some men's clothing, will reach $165m this year compared with $153m in 1977.

Push on mining equipment

By John Lloyd

BRITISH mining equipment manufacturers, whose exports have been rising steadily, are to combine forces in a new organisation aimed at further boosting their export share.

The two existing organisations, the *Association of British Mining* Equipment Exporters and the Council of Underground Mining Machinery Manufacturers, which deals with domestic trade, have been merged to form the Association of British Mining Equipment Companies.

The new association is in part th result of pressure from Sir Derek Ezra, the chairman of the National Coal Board, who has consistenly argued the virtues of a more aggressive export drive. He said yesterday that the new organisation would sterngthen the UK's chances of increasing the "export earnings of its mining expertise and equipment, both of which are among the best in the world."

The chairman of the new association, Mr. Dennis Morgan of Dowty Melo, said that the opportunities exist for effective leadership in mining developments in the UK coal industry and for promoting an increasing British share of the growing *world market for mining equipment.*

China transhipment deal

TOKYO, August 17.

KAWASAKI STEEL Corporation said it was agreed to permit two Brazilian iron ore mining companies to use its cargo handling and storage facilities in the Philippines and Japan as transhipment bases for exports to China.

Officials at Kawasaki said Brazil's Cia Vale do Rio Doce *(CYRD) has contracted* with China National Metals and Minerals Import-Export Corporation to supply 250,000 tons of equal parts of lump ore and fine iron ore for October-December shipment.

CYRD will use the loading, unloading and storage facilities on Mindanao of the Philippine Sinter Corporation, a wholly owned subsidiary of Kawasaki, in shipping the ore to China.

Another Brazilian mining company, Mineracoes Brasileria Reunidas (MBR), has also contracted to ship 150,000 tons of lump ore to China in November. MBR will use Kawasaki facilities in Mizushima, western Japan for transhipments by smaller ore carriers to China.

Officials said China is attempting to import iron ore and other materials to develop its own steel industry from many different sources or a trial basis.

Meanwhile, Nippon Steel officials said they are co-operating informally with Broken Hill Proprietary, the only integrated Australian steelmaker with a mining division, in efforts to sell iron ore to China.

Nippon Steel itself is the major contractor for a major new steel complex to be built in China near Shanghai. China has plans to more than double its steelmaking capacity to 60m tonnes a year by the year 1985.

AP-DJ

Aqaba cold store award

BY RAMI G. KHOURI

AMMAN, August 17.

SUMITOMO SHOGI KAISHA of Japan has won a $7m contract to provide and install a cold store for the free zone at the southern port city of Aqaba. The store will have a capacity of 6,000 tons and construction is expected to be *completed by the end of October* next year, according to Free Zones Corporation chairman, Mr. Mohammad Dabbas.

The awarding of the contract is seen locally as a firm indication of Jordan's drive to use its central geographical location in the Middle East to promote intself as a centre for transit trade and transport.

India to buy more fertiliser

By K. K. Sharma

NEW DELHI, August 17.

THE INDIAN Government has formulated plans to import 1.9m tonnes of fertiliser nutrients this year to fill the gap created by heavy demand and inadequate production. *Demand has risen* because an unusually good monsoon makes crop prospects extremely bright and heavy imports have become necessary despite higher utilisation of indigenous capacity.

Even though substantial new capacity for fertiliser production is to be created, the Government has decided also to maintain a buffer stock of 1.5m tonnes of nitrogenous fertiliser.

A review of fertiliser consumption in the country shows that while there was a marginal increase in imports of nitrogen in 1977-78 over the previous year, imports of phosphates increased by seven times while potassic fertiliser imports doubled, thereby *showing an overall increase* in fertiliser imports of 45 per cent.

● Italy's state-controlled chemicals group, Anic, is to supply China with $16m worth of fertilisers and synthetic rubber by the end of this year, the chemical group announced in Milan.

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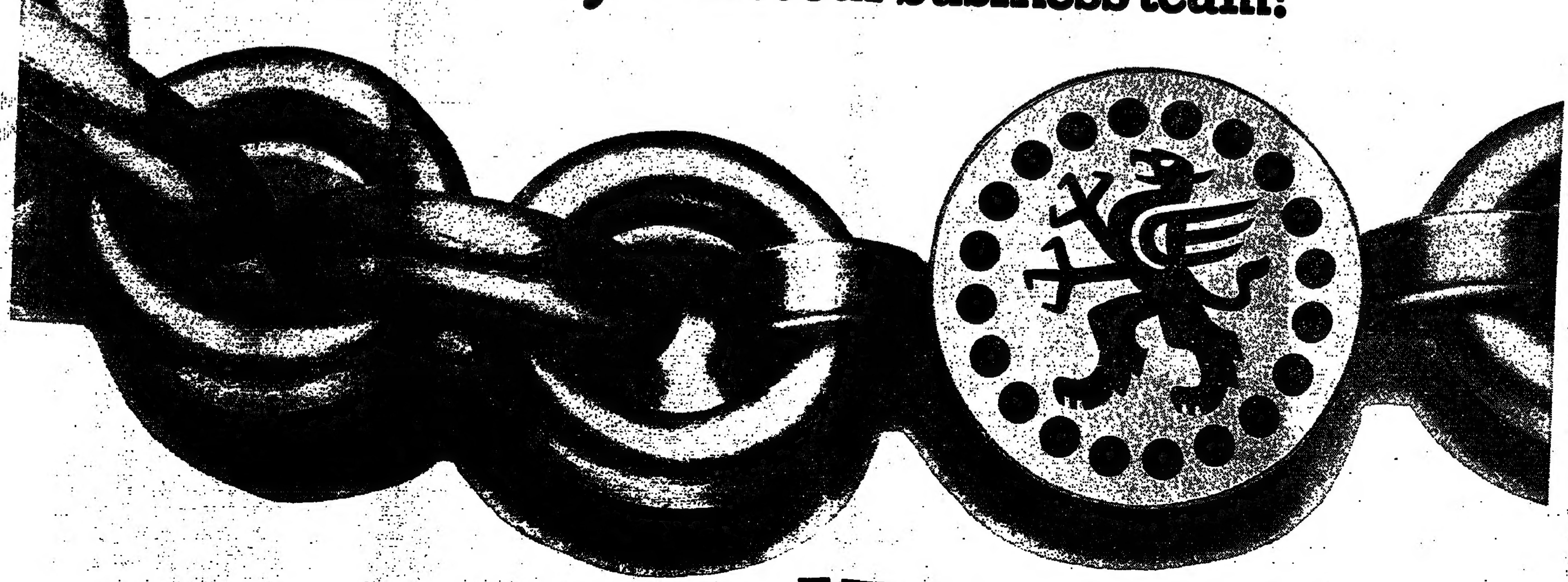

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HOME NEWS

Consumer spending at £9bn record

BY DAVID FREUD

CONSUMER spending was at an all-time high in the second quarter of this year.

The peak was confirmed in figures yesterday by the Central Statistical Office, although there was a slight reduction on the initial estimate last month.

The revised figures put the total of consumer spending in the second quarter at £9.08bn (at 1970 prices and seasonally adjusted). This is £15m less than the first estimate and is only £16m above the total for the first quarter.

The growth reflects the sharo rise in disposable income, which has increased by about 7 per cent in the 12 months to mid-year.

In the first half of the year consumer spending was 2.6 per cent above the level of the previous half, and about 4.5 per cent above the same period last year.

Expenditure on food, alcoholic drink and tobacco fell back from the high level of the first quarter, down £37m from £2.9bn. There was also a slight drop in spending on cars and motorcycles.

Expenditure on most other services and retail goods increased over the two quarters

The increase in retail sales in July, combined with tax rebates paid in that month, make it likely that expenditure is rising after the second quarter pause.

This interpretation is supported by figures today in the official magazine Trade and *Industry which show that stocks* held b yretailers in June were at record levels.

In June the ratio of stocks to sales (seasonally adjusted) stood at 109 up from 103 in February and significantly higher than the average of 107.4 in the peak year of 1973.

CONSUMER EXPENDITURE

1970 prices, seasonally adjusted

		£m.
1975		35,269
1976		35,406
1977		35,116
	1st	8,758
	2nd	8,639
	3rd	8,829
	4th	8,890
1978	1st	9,084
	2nd	9,100

* Second preliminary estimate

Successful quarter for life companies

By Eric Short

LIFE COMPANIES are having a successful year in attracting new savings, according to figures released yesterday by The Lie Offices' Association, the Associated Scottish Lie Offices and the Industrial Lie Offices Association.

The figures, for the second quatrer of the year, showed that total new annual premiums on individual assurances and annuities rose by 17 per cent on the quarter from £99m to £116m —a level 27 per cent higher than in the corresponding period last year.

Personal pension business also rose, with new annual premiums 42 per cent hihger on the quarter, at £27m.

Single premium business was also strong over the period, totalling £147m in the second quarter compared with £130m in the first quarter and £120m for the second quarter of last year.

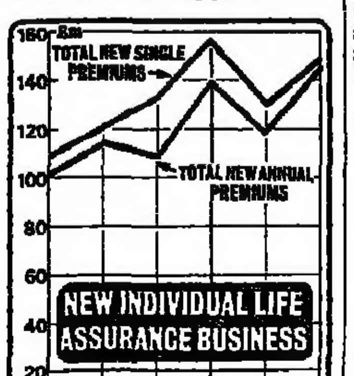
The net result over the first first half of this year showed total new annual premiums of £261m, compared £214m last year, while single premium business totalled £277m against £229m.

Linked life assurance bond business has maintained the strength shown in the first quarter and is now back at the level of sales in the boom years of the early 1970s.

Single premiums in the second quarter rose to £75.5m from £72.5m in the first quarter, bringing sales in the first six months to £148m—49 per cent up on the first half of last year.

However, sales of personal pensions contracts for the self-employed on a unit-linked basis showed a decline in the period on both annual and single premiums.

This was in complete contrast to sales of traditional with-profits personal pensions policies which moved ahead strongly.



Avis sells

AVIS Rent a Car has opened a centre at Dudley Road, Wolverhampton, to sell to the public low-mileage, vetted cars retired from its self-drive and leasing operations after less than a year's service.

Public sector pensions inquiry urged

BY DAVID FREUD

A THOROUGH inquiry into the funding of public sector pensions was called for yesterday by the Commons' Public Accounts Committee.

The present haphazard mixture of approaches could represent a large area for economies in public expenditure, Mr. Edward du Cann, chairman of the committee, said yesterday.

He said fully-funded pension *schemes in the public sector* were very expensive. The British Rail scheme, which the committee had specifically investigated, would require public funds of more than £1bn between actuarial deficiency.

While the funded schemes—in which independent capital is *built up to cover pension require*ments—were necessary for private companies, this was not the case for public concerns.

"Normal actuarial considerations do not apply where the State stands behind a concern."

Mr. Hugh Jenkins, Labour MP for Putney and a member of the commitee, said the funds were reaching an unmanageable size and there was no control over them by the Government.

Refering to the British Rail fund's policy of buying works of art, he said he doubted whether it was the Government's intention that a trust should set itself up as a competitor ot the Arts Council.

The public sector funded schemes are mainly operated in the nationalised industries, while civil servants' pensions are usually met through a pay-as-you-go system with no advance provision to meet liabilities.

Mr. du Cann said the committee intended to see that the cost and implictaions of all the options were properly examined.

The Wilson committee on financial institutions is now investigating pension funds and received evidence from the Treasury on Wednesday warning against a switch towards pay-as-you-go.

Duty-free whisky curb

THE Customs and Excise Department is taking steps to end an arrangement which allows distillers to sell a fraction of their whisky duty-free.

According to the Commons Public Accounts Committee report, the trade practice, which has been in operation for 120 years, is costing the Exchequer up to £7m a year.

The practice arises out of the duty-free allowance for test sampling up to one tenth of a gallon—or 0.2 per cent—out of each 48-gallon cask of spirit in bonded warehouses.

The committee report said the system was being abused because when the sample was not wholly consumed in the tests it was sometimes resold with duty-paid spirits.

The committee was told by Mr. Douglas Lovelock, chairman of the Customs and Excise, that the samples totalled about 250,000 gallons a year, on which full duty would amount to £7m, although the lost revenue was significantly below this figure.

The Scotch Whisky Association *denied that the practice was an* abuse.

Smith report from the Committee of Public Accounts, Session 1977-78, Stationery Office. Price £3.

Euro-loan guarantee scheme to offset redundancies

BY MICHAEL CASSELL

DETAILS OF a loan scheme to create new employment for redundant workers in the coal and steel industries were released yesterday by the Department of Industry.

The scheme will enable companies investing in projects in development and special development areas to take full advantage of foreign currency loans available from the Europeal Coal and Steel Community.

Loans for such projects are available at favourable fixed rates of interest and the effect of the new scheme is to provide *companies with a guarantee* against the risk of exchange losses.

When the exchange guarantee scheme for loans from the European Investment Bank was announced in December, it was made clear that loans from the Community for employment-creating projects in areas affected by the decline of coal and steel could in principle also be considered for exchange risk cover.

Yesterday's announcement reflects agreement with the Commission on the detailed operation of a scheme to provide exchange cover on such loans.

The Community lends up to 40 per cent of the fixed capital cost of qualifying projects and loans are subject to a minimum size limit of about £750,000 and linked to employment creation.

The yare made in foreign currencies and it is expected that the average rate of interest will be 7½ per cent. A charge of 1 per cent will be made for the *exchange risk guarantee.*

The scheme is to run initially for a limited period until the end of this year but all loans taken up during this time will be covered for their duration.

Loans up to £500,000 will continue to be available through the Industrial and Commercial Finance Corporation under its existing loan arrangement with the Community.

Mortgages average £10,000

FINANCIAL TIMES REPORTER

THE AVERAGE building society advance made during the second quarter of this year stood at just over £10,000, according to figures published yesterday by the Department of the Environment.

The results of a 5 per cent sample of building society home loans completed between April an dthe end of June show that the average mortgage of just over £10,000 was £400 higher than in the first quarter of 1978 and compared with a figure of only £8,500 a year earlier.

According to the Department, the average house price on which loans were arranged during the second quarter was £14,878 against £14,252 in the previous three months and £13,332 a year before.

—Between April and June, 47 per cent of all loans went to new owner occupiers against 48 per cent in the preceeding quarter and just under 50 per cent in the same period of last year.

The Department says that, for the 213,00 loans completed during the second quarter, the average percentage advance against purchase price was just over 67 perc ent, a repeat of the previous three months but 3½ per cent up on a year before.

In the second quarter, borrowers purchased homes with an average price of 2.6 times their recorded income and obtained advances on aveage of 1.8 times their income.

TV will aid Stock Exchange

BY CHRISTINE MOIR

THE STOCK EXCHANGE is to replace its Market Price Display Service with a more sophisticated televised information system capable of handling substantially more data.

The new service, named TOPIC (teletext output of price information by computer) will come into operation towards the end of next year.

TOPIC will be capable of covering up-to-date market prices in 1,500 securities, compared with the 800 covered by the present service. It will also have sufficient capacity to cope with the growth of the new *traded option market.*

At present option prices are squeezed in only by deleting some company news and alternating othe rpages at intervals.

News coverage will also be more extensive on TOPIC. Improving instead one of the present maximum of four pages of news—which usually means that early news is squeezed out by the afternoon—TOPIC will be able to carry a whole day's news.

One entirely new feature will be a facility enabling subscribers to circulate their own information directly through the *system.*

TOPIC is expected to build up to a total of 1,200 or so terminals, compared with the 2,000 on the present service. This will involve three new mini-computers at a cost of £380,000 apiece.

The two systems will operate in tandem for at least four years.

It is expecte dthat the basic TOPIC hire charge for an initial terminal will be 50 per cent higher than the £1,000 charged for the first Market Price Display Service terminal.

'Unauthorised telex' curb

BY COLLEEN TOOMEY

THE POST OFFICE is being forced to curb unauthorised use *of its telex business after com*plaints from telex authorities in other countries.

British telex rates are among the cheapest in the world, there having been no increase since October 1975.

Authorities abroad claim that *companies* are using London communication centres as staging posts for international calls, since it is cheaper to send long and expensive messages via London rather than direct.

In the past few years more than 100 telex forwarding bureaux have sprung up to serve the market or smaller companies that do not have their own London relay centre.

The Post Office has sent recorded delivery letters to all telex forwarding bureaux advising them of the regulations and warning them that if they continue to flout the rules—wittingly or unwittingly—they risk being cut off.

A second letter was sent three days later to bureaux suspected of breaching the regulations, asking them to sign a declaration of compliance with Post Office rules.

Multi-nationals have escaped warning, largely because the bulk of messages are sent by private network. The Post Office said yesterday: "It is their privi*lege to send as much as they* want that way.'

The Post Office has been aware of several companies operating telex forwarding services "illegally" for more than a year. Early this year, it amended its Telecommunications Scheme to cover the widespread problem of re-routing telexes.

Last year, the Post Office made profits of £17.5m on its telegraph services, on turnover of £166.5m —and while overseas telegrams made a loss, international telexes made a considerable profit.

Industry 'needs new motivating spirit'

BY MICHAEL CASSELL

RESTORATION of a "motivating spirit" in British industry is being urged by the Institution of Mechanical Engineers in a supplementary submission to the Finniston Committee of Inquiry into the engineering profession.

The Institution, which last *November was the first body to* submit evidence to the committee, said yesterday that its subsequent representation did not imply any second thoughts but provided an opportunity to concentrate on specific proposals concerning "key issues."

The new submission contains two main proposals. The first represents a plan for developing leadership ability in young engineers, with the objective of restoring the motivating spirit.

"U.K. industry has an urgent need for the engineer-manager who not only understands the engineering aspects of his company's product and the requirements for commercial success but who, above all, is able to motivate his colleagues and the workforce by his own leadership qualities."

The Institution intended to study the methods of leadership training used by companies with a reputation in this field and to publicise the findings among chartered engineers.

The second proposal calls for a comprehensive pattern of education and training to "restore the balance between chartered engineers and technician engineers.

Neither industry nor the profession had yet succeeded in finding an acceptable process for restoring the supply of good technician engineers.

Industry tended to employ graduates to fill technician vacancies, "a solution which cannot be satisfactory to the employer and which is demoralising to the graduate."

On relations with industry, the Institution says that many engineering employers display "a deplorable ignorance of the standards required for a good *professional engineer.*

"It is saddening to think that it may indicate that the managements of some engineering companies may be as unaware as the general public of their dependence on engineers."

Crown contests SUITs verdict

By Ray Perman, Scottish Correspondent

THE CROWN is to appeal against the verdicts reachel last month on Sir Hugh Fraser, deputy chairman of Scottish and Universal Investments (SUITS) and other present and former directors of the company.

Sir Hugh Mr. William Forgie and Mr. Angus Grossart were found guilty of failing to give a true and fair view of the affairs of SUIT on a charge under the Companies Act which arose out o the misclassification of a £4.2m loan in the 1975 report and accounts. They were all fined.

The Sheriff at Glasgow rejected the Crown's assertion that the offence was committed wilfully, and it is on this point that Mr. John Skeen, the Procurator Fiscal, is appealing.

Under the 1948 Act the penalty for wilful commission can be im*prisonment.*

Acquittal

The Crown is also appealing against the acquittal of Mr. Nicholas Redmayne and Mr. Edward Gamble, and against the Not Proven verdict in the case against Mr. Jamse Gossman, who, with Sir Hugh, is still a director of SUIT.

Mr. Grossart's acquittal on a separate charge of failing to notify share dealings to the company within the required period is also being contested by the prosecution.

The appeals will be heard at *the High Court in Edinburgh at* the same time as appeals lodged on behalf of Sir Hugh and Mr Forgie. Hearings are unlikely for some months.

North Sea modules contracts

By Kevin Done

CONOCO, the operator of the North Sea Murchison Field, has awarded fabrication contracts worth £7.75m to William Press Production Systems of Tyneside.

The contract covers five modules for the Murchison platform, which is to be *floated out to the field in May* 1979. The £49m steel platform jacket is already being built by McDermott at its Ardersier yard on the east coast of Scotland.

The units to be built by William Press include modules for pipeline metering, (weighing 1,100 tonnes), for oil and gas separation (1,200 tonnes), compression (1,200 tonnes), gas sales (840 tonnes) and a workshop (800 tonnes).

Two of the modules will be floated out from the William Press yard at Walsend in March next year, and the three others will follow in May.

The company now has orders for fabricating a further 8,600 tonnes of offshore platform modules.

Plastics manpower shortage

By Sue Cameron

A SEVERE shortage of skilled manpower in all sectors of the plastics industry is forecast by the British Plastics Federation.

A survey of 45 plastics companies, published yesterday, suggests that the shortage of skilled workers is increasing steadily. It was found that 82 per cent of the companies taking part in the survey expected to suffer *from a shortage of skilled man*power within the next six months.

Yet an earlier survey by the federation 18 months ago found that only 47 per cent expected a skilled labour shortage.

A federation survey on business trends in which more than 100 plastics companies took part found that a significant number of plastics processors were already citing the shortage of labour as a brake on output.

The business trends survey suggests that plastics materials companies are having considerable difficulties with their pricing policies. More than 60 per *cent of the concerns that took* part said they were finding price rises insufficient to cover costs.

Almost 40 per cent also said price rises envisaged over the next year would not be great enough to cover expected increases in overheads.

MRS. ANDREA Mullaney, 23, (above) has been voted Britain's top secretary by the London Chamber of Commerce and Industry. She won the £100 prize first place in the Chamber's diploma examination for private secretaries.

Mrs. Mullaney, aged 23, of Ripley, Derbyshire, has been a private secretary for only a year. She has shorthand and typing speeds of 120 and 75 words a minute and speaks French, German and Italian. She hopes to go on to work in personnel management.

Her boss, Mr. Chris Stevens, works manager of wire manufacturers Johnson and Nephew, says she is the best secretary he has ever met.

"I am terrified now that, after winning this title, she will be lured away from me," he said yesterday.

"I have nightmares about it. Good secretaries are difficult to find and she is perfect."

Sheffield cutlery industry prolongs rift over imports

BY RHYS DAVID

THE Federation of British Cutlery Manufacturers yesterday rejected proposals from the rival Cutlery and Silverware Associa*tion for a meeting involving* chief executives of the top ten companies.

The recently-established federation—which is headed by Mr. John Price of Arthur Price, a Sheffield and Birmingham cutler —has been campaigning strongly for a phased introduction of *import controls, eventually* bringing the top limit down to 25 per cent.

However, this is regarded as unrealistic by the association which favours the introduction of a 50 per cent quota for a five-year period.

The federation in rejecting the cutlery and silverware association's approach, which was aimed at working out a common policy, is claiming that such a meeting would not properly cover the industry.

Instead, Mr. Price repeated his call yesterday for a direct meeting between the two trade bodies. Such a meeting would bring together 90 per cent of the industry ,he said.

At the beatr of the dispute is the industry's rapid contratcion over recent years in the face of strong pressure from imports which no waccount for more than 90 per cent of al lthe stainless steel cutlery sold in Britain.

This leaces the UK industry largely dependent on more expensive up-market products.

Mr. Price, whose federation has more than 40 members, has claimed that the association has been too soft in tackling the problem of imports, partly because among its members are a number of companies extensively engegad in importing.

Another point of conflict is the practice by some companies of silver-plating blanks made in the Far East and marking them "Sheffield."

The industry has managed to come together with other interested bodies, including Sheffield City Council, to lobby *the Government for aid and for* action through the EEC to limit imports. But moves are likely to be delayed until a report commissioned from the Cutlery and Allied Trades Research Association has been completed.

More jobs lost

MORE THAN 100 of the 700 workers at the container-making firm Crane Fruehauf at North Walsham, Norfolk, are to be made redundant because of a shortage of orders.

Telford go-ahead for £6m plan

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

GOVERNMENT APPROVAL has been given for an early start to he made on the £6m second phase of Telford, Salop, town centre.

Contractors should be on site at the beginning of September and the aim is to have the new shops trading by Christmas, 1980.

More than 250,000 sq ft will he added tothe town's main shop*ping thoroughfare, doubling the* size of the highly successful first stage. More than 1,000 jobs should be created.

Announcing the go-ahead, Telford Development Corporation also disclsoed yesterday that more than 200 inquiries had been made about the letting of the shops in the new phase, in addition to those already earmarked by key tenants.

Discussions are now taking place with major retailers about large space units there.

Approval for expenditure on the second phase was actually *given in October, 1975,* but a start was delayed by several factors, including the Government's comprehensive review of new towns. This enabled the corporation to examine the whole design of the central area in new detail.

Fewer overseas visitors

FINANCIAL TIMES REPORTER

FEWER overseas visitors came to Britain in the first quarter of this year than last. They spent more than Britons who went abroad in the same period, but the spending gap is narrowing, official figures published yesterday, showed.

There were 1.85m overseas visitors to the UK in the first quarter, a decrease of nearly 1 per cent on the same quarter of last year. Visits abroad by UK residents increased by 9 per cent to 1.90m.

Visitors to the UK spent, in real terms, £528m.

This was 4 per cent higher than in the same quarter last year, but 8 per cent lower than in the last three months of last year.

Spending by UK residents abroad increased to £354m in the first quarter—27 per cent higher than in the first quarter last year and 21 per cent up on the fourth quarter of last year.

GROWTH OF MONETARY AGGREGATES (£m)

	Money Stock M1			Money Stock M3 Sterling			Bank lending*		Domestic credit expansion	
	Unadjusted	Seasonally adjusted	%	Unadjusted	Seasonally adjusted	%	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1977										
June 15	440	295	1.5	461	309	0.8	124	439	820	—
July 20	181	426	2.2	658	358	0.9	1,341	182	239	—
August 17	276	59	0.3	−55	−1	—	−107	385	−257	—
Sept. 21	523	817	4.1	810	730	1.8	174	398	−72	−93
Oct. 19	748	594	2.8	669	595	1.4	580	469	227	182
Nov. 16	481	325	1.5	438	296	0.7	110	239	388	355
Dec. 14	663	233	1.1	799	413	1.0	28	292	504	161
1973										
Jan. 18	−256	617	2.8	60	1,036	2.4	737	182	−349	254
Feb. 15	113	475	2.1	378	1,039	2.3	328	273	206	952
March 15	345	142	0.7	350	283	0.6	312	563	533	585
April 19	813	369	1.6	1,754	1,151	2.5	393	261	2,038	1,426
May 17	201	213	0.9	416	403	0.9	550	761	962	1,128
June 21	−309	−94	−0.4	204	144	0.3	656	550	524	315
July 19	*769	415	1.7	941	520	1.1	800	353	648	114

* To private sector in sterling.

Source: Bank of England

Exports up but foreign car sales still rise

BY MICHAEL CASSELL

THE DECLINE in the international performance of British industry during 1976 was not repeated last year, according to Government figures published yesterday.

Altough import penetration of manufactured goods rose to a peak of 25 per cent, the proportion of UK-produced manufactured goods exported also increased to the same record level.

The latest issue of the official Trade and Industry magazine suggests that the situation did not change significantly in the first quarter of this year, a likely trend at a time when world-wide recession and low demand make expansion into export markets very difficult.

The figures show that motor vehicle import penetration continued to rise last year, with the ratio of imports to home demand rising from 31 per cent in December 1976 to 36 per cent by the end of last year. The figure compares with 25 per cent in March 1976.

Trade performance *in metal* manufacturing generally improved last year, with iron, steel, aluminium and copper all achieving larger export shares with little increase in import penetration.

Stability

Within mechanical engineering, textile machinery's declining export performance has continued, while construction equipment and office machinery have joined industrial plant and steelwork in displaying strong export growth. At the same time import penetration has declined.

Electrical engineering industries have also had a period of relative stability recently, though export shares for electrical machinery appear to be rising again.

The textile industry has again displayed little overall change, though import penetration of *items such as rope and twine* continues to rise steeply. Import penetration of man-made fibres has also grown while the proportion of exports has started to fall.

Meanwhile, the improvement in the export share of the clothing and footwear industries has *continued, and a small decline* in import penetration—in an area which has given rise to considerable Government concern—is apparent.

33 MPs awarded fellowships

By Richard Evans, Lobby Editor

THIRTY-THREE MPs from five parties have become Fellows of the Industry and Parliament Trust by completing studies of specific aspects of industry, the Trust said yesterday.

The latest companies to join, making 16 in all, are the British Petroleum group, British Rail, and Guest, Keen and Nettlefold.

The Trust was established a year ago to improve communication and mutual understanding between industry and Parliamentarians. MPs must spend 25 days in a year studying industry in depth with one of the member companies.

Those who have completed courses so far include 15 Conservative MPs, 14 Labour, two Scottish Nationalists, one Liberal and one Ulster Unionist.

Aznar cruises

THE Spanish Aznar Line said yesterday that it was to resume its cruise season between the Mersey and the Canary Isles this winter. It has reached agreement to operate 10 cruises in conjunction with GMTC and Yeoward.

هكذا من الاصل

The 1979 Financial Times diary shows a number of improvements over the 1978 Financial Times diary.

Firstly, design.

We commissioned James Shurmer, who has produced work for the National Gallery, to completely revise the interior styling.

He provided us with a nicely understated thin-line treatment of the main diary, together with a matching design for the information sections.

Secondly, it occurred to us that there were insufficient months in the year.

Hence the 1979 FT diary starts on November 27th, 1978, and finishes on February 3rd, 1980.

So you can slip into 1979 whenever it suits you.

We've also extended the business information section. It gives a comprehensive list of useful information sources in thirty countries of the world.

You can trace anything from a Belgian consumers' association to a Polish translation agency.

On the subject of translation, the diary also contains a French and German business vocabulary covering everything from 'cash' to 'collateral'.

It could help make letters from abroad a lot easier to understand.

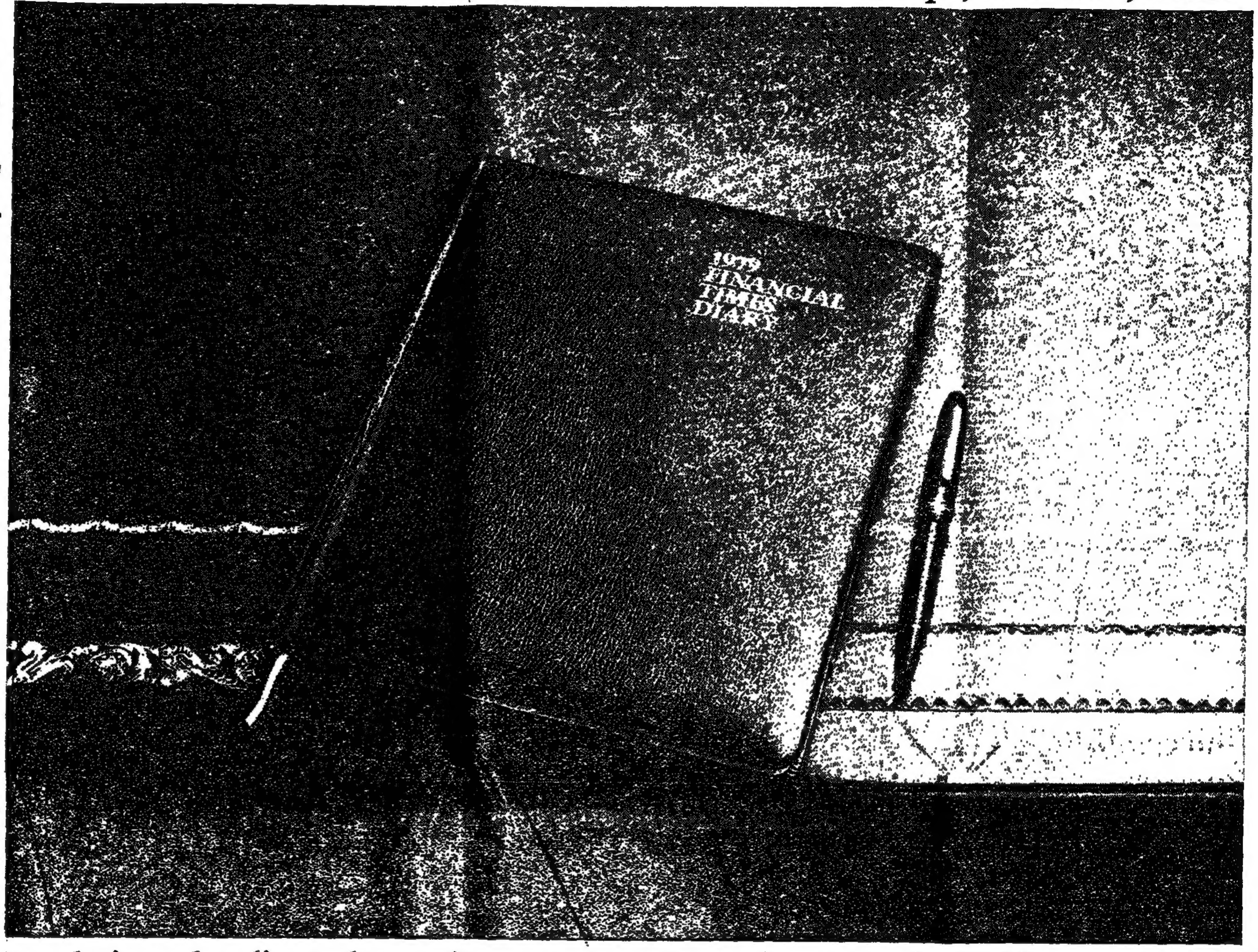
Next, we thought we'd put an end to writer's cramp.

To save you having to copy out hundreds of addresses and telephone numbers at the end of each year, we've incorporated a detachable address booklet.

Now, on the assumption that you do a fair bit of travelling, we've listed the passport, visa and vaccination requirements of all major countries, along with world time-zones and air-travel distances. There is also a superb 48-page colour atlas.

Statistics, we thought, were vital.

In the 1979 FT diary you'll find an 18 page section containing analysis charts, monthly expense sheets, weights and measures, metric conversion tables, both metric and imperial graphs, and international clothing sizes.



Finally, we decided that no-one wants a marker-ribbon that falls to bits, so we've attached a non-fraying marker ribbon.

In addition to the desk diary, there's a slim pocket diary and wallet, in black leather, with strengthened corners and real gold lettering.

It contains a colour map of the City of London, tube and inter-city maps, a list of recommended hotels and restaurants, information on road, rail and air travel in Europe, calendars, world time zones and metric conversion tables.

We've also designed an attractive matching address book.

If required, the desk diary, pocket diary and address book can all be gold-blocked with either your initials or company name and logo.

So you can give either yourself, your staff or your best clients a personalised gift.

Which will add a very nice perspective to any desk top.

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FINANCIAL TIMES DIARY.

APPOINTMENTS

Linwood 'an asset if used properly'—Chrysler chief

JOHN ELLIOTT, discusses with Mr. Don Lander, Chrysler's international operations chief, the implications of the proposed Peugeot and Citroen takeover.

DON LANDER
Hopeful about UK prospects

FEW PEOPLE in Britain would say that Chrysler's UK motor manufacturing operations have been anything of a success or that the company's troubled Scottish car plant at Linwood is a worthwhile investment.

Indeed, ever since the proposed Peugeot-Citroen take-over of Chrysler's European operations was announced last week there has been considerable disbelief that the French company can, in all seriousness, be intending to keep the Linwood plant open.

Yet there is at least one man in London this week, on a business visit from Chrysler's U.S. headquarters, who insists that he believes just that.

He is Mr. Don Lander, 53, vice-president in charge of all Chrysler's international operations who said yesterday: "I think we have an excellent facility at Linwood which can be a valuable asset is used properly.

"I will not acknowledge that things have gone wrong for Chrysler in the UK. It's been a challenge on which we've been making progress, though maybe that progress has not been made as quickly as we would like."

Mr. Lander has been in London since the Peugeot take-over was announced and he is wel aware of the scepticism that surrounds his company's performance and its motives for selling out. He also knows that people suspect Peugeot may want to close Linwood at least.

The scepticism is certainly shared by the Government, which intends to spend some time taking Peugeot's top management through the fine print of the rescue deal that was struck for Chrysler UK early in 1976, and which does not expire till the end of next year.

Last week the Department of Industry said that Peugeot had expressed its "intention to assume in a form appropriate to the new circumstances all the obligations of the agreement between HM Government and Chrysler Group."

That statement sounds on the surface as if it guarantees the survival of all Chrysler's UK plants (including Linwood) and its model programme — including a new car at the main Ryton factory outside Coventry in a year or so and the exporting of the small Linwood-made Sunbeam hatchback saloon to Europe this autumn.

Peugeot has said little publicly on such details during the past week in which most of its French factories and its head office have been shut for summer holidays. But Mr. Lander yesterday interpreted the statement as meaning that Linwood and the other plants would be guaranteed at least till the Government-Chrysler agreement expires at the end of next year.

Similarly, Peugeot would be taking over liability for Government loans totalling £65m already paid to Chrysler and would qualify for £25m loans and £12.5m grants still available.

It may emerge, however, when the Government's talks get down to detail with the French company, that it is not as simple as that. The 1976 agreement was based on intigration of the UK factories' into Chrysler's world-wide operations and model development programmes.

Clearly the details of this now have to be re-examined to see whether, for example, Peugot intends to continue Chrysler's model plans or whether it will want to agree alternative arrangements with the Government.

Without such assurances the future of British plants, and especially Linwood, could be in doubt.

But yesterday, interviewed at Chrysler's London offices in Knightsbridge, Mr. Lander spoke like a confident salesman who is convinced that, even if his goods may not look perfect, they have such potential that no prospective buyer is likely to turn away.

"I've been disappointed, but never discouraged from believing that good productivity could be achieved in our British factories," he said. "But to get that productivity has taken a little longer than we would have liked."

Mr. Lander speaks from personal experience of the British problems. From 1973 to 1976 he was Chrysler UK's managing director at a time when labour disputes were constantly disrupting both the Linwood and Ryton factories.

Canadian born, he made a reputation as a tough, though charming and eloquent, manager. He left in 1976 to run Chrysler's European operations before going on to the U.S. to head Chrysler International, which includes plants in South America and Australia, and a 15 per cent stake in the Japanese Mitsubishi car company as well as the European businesses now involved in the Peugeot deal.

In spite of a recent toolmakers' strike at Ryton, Mr. Lander insists that the Coventry plants—plus an engine factory at Stoke—have turned into good labour relations areas. He regards the planning agreement with the Government and unions foisted on the company by Labour Ministers as useful in helping build up employee communications.

This, the only planning agreement introduced in the private sector by the present Government, is quite separate from the main 1976 agreement. It expired at the end of last year and a new agreement that should have been signed a few weeks ago has still not been completed because of uncertainties caused by recent strikes.

Mr. Lander, despite his view of the communications value of the first agreement, was not prepared to say yesterday that he would definitely recommend Peugeot to sign a new one.

On labour practices in general he said: "Ryton and Stoke labour relations and productivity have been very good since the Government agreement, and the quality of the parts they are turning out is excellent."

Referring to the fact that the Alpine hatchback saloon is made both at Ryton and in France, he added: "Even the French acknowledge that the quality of the Ryton Alpines is good."

Nor was he prepared to hear too many criticisms of Linwood, where productivity, after rising from 45 per cent of targets last year to 89 per cent this March, fell to 68 per cent in June. The decline was worsened by a paint-shop strike in July.

The problem with Linwood, said Mr. Lander, was that it had had to absorb changes of models, the installation of a new paint shop, the introduction of a second working shift, and other changes.

"Linwood has been going through a period not only of expansion but of a lot of innovations," he added, adding that Peugeot's management had visited the plant this year and so were aware of what they were buying.

His visit was not the occasion for a prospective buyer to examine the goods. It was one of several routine visits by various companies, including Volkswagon and some Japanese concerns to see how operations were carried out.

Such visits had nevertheless prompted speculation that Chrysler has been, in effect, putting Linwood up for sale. Mr. Lander denied this.

"Nothing has gone wrong with our European operations. It's a question of the Chrysler Corporation looking at the European automotive industry as a major future market and deciding the best way to bring about the integration needed. We are looking at the emergence of a very large automotive group with all the ingredients to provide increased opportunities."

It was out of talks about general co-operation on motor components that the Peugeot bid had emerged. Until then, Chrysler had intended to carry on with its UK operations and had not tought of, or sought, a merger.

The Peugeot bid, under which Chrysler Corporation in the U.S. would hold 15 per cent of the new merged company, seemed the right way to integrate the companies' businesses while maintaining a Chrysler financial stake in Europe.

A \$7.5bn spending programme that Chrysler had embarked on in the U.S. for the period up to 1985 made the cash it received from the deal specially important.

Mr. Lander would not be drawn as to whether Chrysler Corporation might be tempted in the future to sell off its 15 per cent stake in Europe.

The proposed agreement involves Chrysler sharing the management of the European company till late in 1980. Precisely how this management role will work in detail had yet to be decided.

The French will want to send people to the UK soon to see their new factories in operation. The future of about six North American executives now in the UK factories—including Mr. George Lacy, the UK managing director—has not yet been discussed with Peugeot, he said.

First, the Government has to approve the takeover, in line with its rights under the 1976 agreement. Mr. Lander, naturally, believes that the agreement has been good for both Chrysler and the British Government and acknowledges no reason why the Peugeot deal should fail. "For the last two to three years things have been improving, and I do believe that Linwood could come right."

But the future now depends on what Peugeot's top management consider after their talks in London. Most importantly, the 1976 agreement indicates that the Government may have a hold over the situation not just till the end of next year, when the agreement expires, but until all the loans have been rpaid; 1989 is the final repayment date at present.

So the debate in the coming weeks will not just be about guarantees for the next 15 months or so (which should bridge the general election period when Linwood's impact on the Scottish vote has special significance for the Government), but also in the years that follow.

LABOUR NEWS

Tube row talks today

By Nick Garnett, Labour Staff

OFFICIALS of the National Union of Railwaymen and London Transport Executive met today to try to solve a dispute which is disrupting London's Underground service.

Some Tube stations have been closed at various times during this week, including West Brompton—on the District Line and Watford—on the Metropolitan line—yesterday, because of industrial action by railmen.

Services on the Aldwych branch line of the Piccadilly line could not operate during part of the peak periods yesterday.

Rail workers, particularly those involved with station operations rather than train crewing, have been angered by overtime cuts instituted by London Transport Executive.

The executive has been responding to an instruction from the Greater London Council to prune its train and bus operations by £8m, without reducing mileage.

Ticket collectors and other grades on the Underground have begun a non-co-operation policy involving workers refusing to step temporarily into higher-grade jobs.

The effect has been to reduce manning levels at some Tube stations to the point where London Transport has felt obliged to shut them.

Rail staff have also threatened a series of one-day strikes from September 7 which could shut the whole Underground service.

BL workers black Japanese trucks

BY OUR LABOUR STAFF

WORKERS at BL's five Lancashire bus and truck factories voted yesterday to black all Japanese trucks from unloading at their plants in the Leyland and Chorley areas.

They complain of unfair cometition by Japanese companies.

A mass meeting, attended by about 3,000 of the 9,000 workers and staff, also backed Mr. George Rodgers, Labour MP for Chorley, who said he would try to introduce an early day motion in the next Parliamentary session and anadjournment debate in a bid to get the Government to take action.

Mr. David Hewitt, works convenor, said: "Japanese trucks are being imported from assembly plants in Ireland at prices far below what they can be manufactured for. It is unfair competition.

"If the Government is impotent we have got to take steps ourselves to make sure our industry does not go in the same direction as the motorcycle industry.

Mr. Rodgers said: "The Japanese are indulging in unfair competition. For a long time they protected their home market in order to launch an assault on overseas markets."

Afterwards, Mr. Hewitt said that workers feared efforts were being made to establish a Japanese assembly plant in the north west, possibly Merseyside, after seeing newspaper advertisements for assemblers.

"They are selling trucks at £3,000 less than any British manufacturer for the equivalent vehicle. No one can stand competition like that."

● BL's radiator plants at Llanelli, South Wales, have laid off 250 workers because of an unofficial strike by 100 production men which began on Wednesday.

The dispute could affect other Leyland works because as the Llanelli factory is a major supplier of components to plants throughout the group.

The company seaid that talks were being held to resolve the dispute, which involved a claim for pay parity with craft unions within Leyland.

Shipyard complains of union sanctions

A PRIVATELY-OWNED ship-repairing company claimed yesterday that it had lost contracts worth more than £200,000 because of sanctions threatened by local trade union officials against its employees.

Thew Engineering, of Southampton, said that its employees had been told they faced possible fines and loss of union membership if they worked on contracts in the port of Southampton which the unions considered rightly belonged to the State-owned ship-repairers, Vospers

Thew has given an undertaking to its pipefitters and electricians that if they lose their union cards through working for the company, they will find them alternative work and maintain their average earnings.

No Thew employees have yet lost their union membership or even been "branched"—a disciplinary process which if it occurs three times could lead to a fine or loss of membership.

Four Thew employees have been warned by the executive of the Boilermakers' Amalgamation for disobeying an executive ruling and working for Thew.

Thew manufactures gas and oil burners and takes on civil engineering work as well as ship-repairing. Mr. Trevor Thew, managing director, said yesterday that last year the company had a turnover of £1.3m. Its ship-repairing turnover totalled £50,000.

Union officials in Southampton are concerned that work is being taken away from the nationalised group in favour of companies which operate without its overheads.

Vospers keeps workers on a fall-back pay rate of £62.75 if there is no dock work in the yard. At the time of the warnings given last year, about 400 Vosper workers were on stand-by.

Micro-devices law sought

A LAW which would restrict the spread of micro-electronic devices in industry is suggested by a senior official of the Association of Scientific, Technical and Managerial Staffs today.

Mr. Tim Webb, ASTMS national officer, says companies should not be allowed to introduce micro-electronic systems which might affect employment without prior trades union agreement.

This veto is one of a series of measures which he proposes as the basis of a TUC campaign to prevent new technology creating unemployment.

Other suggestions are:

● A basic 35-hour week from the end of 1979;

● A sstatory minimum of five weeks' holiday and a lowered retiring age of 60;

● Sabbatical leave every seventh year for all workers;

● Full pay for all workers made redundant because of micro-electronics.

Mr. Webb is not altogether against the spread of micro-electronic technology and says the National Enterprise Board's proposal to set up a new micro-electronics production subsidiary should be supported.

Mr. Webb's proposals are set out in the current issue of the Association's journal.

"Obviously, the introduction of the micro-processor will have an adverse initial overall effect on the already unacceptable level of employment, as the total number of labour hours needed to process an item will be reduced.

"It is my view that our present structure of society and industry does not have the proper social basis adequately to deal with the coming changes, but the trade unions should make the greatest efforts to protect our members' job security."

His arguments do not accord closely with Government strategy, which is to promote the use of micro-processors in industry. An initial £15m fund has already been allocated for this purpose, and more money is expected to be made available later.

The Government's view is that wider use of micro-processor techniques is essential if UK industries are to remain competitive with more automated rivals in Germany, Japan and the U.S.

In a recent paper, Professor Christopher Freeman of the science policy research unit at Sussex University suggested that unemployment in the UK could rise to 4-5m by the end of the next decade because of increased automation.

However, he concluded that the risk of not embracing the new technology was even greater than the hazards which it presented.

Commissionaires make profit

THE 3,660-member Corps of Commissionaires, which finds jobs for ex-Servicemen, made profits of £95,000 last year, mainly due to investments, according to its annual report.

The value of investments increased by £170,000 during the year, says Col. Geoffrey Pring, Commandant of the Corps, which celebrates its 120th birthday next year. It recruited 524 new commissionaires last year.

Strike halts Abattoir

TWO HUNDRED workers at one of the largest abattoirs in Europe were on unofficial strike yesterday. The men and women, all members of the Transport and General Workers Union, walked out at Barretts and Baird in West Bromwich, West Midlands.

The dispute is over what they claim is victimisation of union officials by the company, which they say has tried to stop union activity.

Job laws no problem for small businesses

ONLY 2 per cent of a sample of small employers named the Government's employment legislation as the main difficulty in running their businesses, according to research published by the Department of Employment yesterday.

The survey, conducted by Opinion Research Centre, comes after similar Policy Studies Institute investigation of larger companies which concluded in June that the job protection laws had not generally stopped businesses taking on new labour.

The small firms study is likely to be seen by the Government as further evidence that much of the criticism of employment protection legislation is unjustified. Yesterday's evidence, however, is preliminary and based on a small sample. It therefore requires some caution in interpretation.

The study covered 301 firms employing fewer than 50 people in the clothing, electrical equipment manufacture, garage, travel agency and removal trades.

Aske dto identify the single main difficulty in running their businesses during the last year, the 2 per cent who named employment legislation ranked 14th in a list headed by lack of money, lack of orders and problems of recruiting suitable staff.

When asked specifically if any Government measures had caused difficulties, unfair dismissal claims were mentioned by only 4 per cent and redundancy payments by 3 per cent compared with 22 per cent who quoted VAT.

Health and safety legislation was the most commonly experienced area of the new laws, followed by unfair dismissal.

However, 54 per cent of employers interviewed had no direct experience of a range of employment law provisions and 88 per cent had found none of them troublesome.

Near the end of the questionnaire, employers were asked specifically if the legislation had made it more difficult to reduce their labour force. "Considerably more difficult," said 37 per cent, while 9 per cent said "slightly more difficult."

A secondary aspect of the questionnaire tested employers' knowledge of the employment legislation. None answered every factual question correctly.

هكذا من الاصل

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Putting a tiger in motorists' tanks is still an important part of our business. But it accounts for only 20% of our total production. So how is the rest sliced up?

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Other forms of kerosine, refined in different ways, are turbo-jet fuel for aircraft and the kerosine used to drive the gas turbines of ships. The Hovercraft and many of the Royal Navy's fast pursuit vessels are typical examples.

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Fuel consumption in aircraft is heavy. A Boeing 747 Jumbo jet uses 24,000 gallons on a single Atlantic crossing.

Diesel fuels

Trains and trucks by comparison are economical in their use of fuel. For example, the 125 mph High Speed Train running between Kings Cross and Newcastle, uses only 1·3 gallons per mile.

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Last year Esso supplied London Transport buses with a quarter of their diesel fuel, and half the engine fuel used by British Rail.

Unlike some European countries, Britain has never been very interested in diesel cars. Even in Germany where diesel fuel is cheaper than petrol diesel cars only represent 4·8% of the car population.

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Esso The world's leading oil company

The shipping industry's plans to improve life on the ocean wave

BY NICK GARNETT

A NEW report, suggesting major changes in the way the UK shipping industry organises its manpower is due to be issued to shipping companies and the unions within the next few weeks.

The report is the work of the Sealife Programme, a joint union-management investigation into manpower planning, set up amidst severe staffing difficulties confronting the shipping companies.

Shipowners in the 1960's and early 70's were faced with a major problem—how to retain seamen and ship's officers. There was no recruiting difficulty but too many seafarers, particularly senior officers were quitting, not only to go to higher paid shipping jobs abroad but also to other industries.

Given that it costs about £12,000 simply to train a ship's master or senior engineer, the drain on manpower was having an adverse financial effect. Beyond that it was preventing the companies making the most efficient use of their employees.

It was a mark of the seriousness with which the industry viewed the problem that a small group of shipping companies, normally jealous of their own independence, came together in 1974 to seek a solution.

The result was the setting up of Sealife in March 1975 as a joint venture between the shipping companies, the five sea unions, and the Department of Trade. The General Council of British Shipping, by means of a cash levy on its member companies, has been almost the sole source of funds, providing about £1m. up to the end of next year.

The programme, under an executive committee and a general council which has to have the support of the representatives from all three sides before ratifying policy decisions, could do little about the outflow of officers who were simply seeking extra money with foreign flag companies. It was empowered, however, to study ways in which the life of ratings and officers in UK shipping could be made more attractive. It was on the basis of this that the companies hoped better man management, productivity and profits could be developed.

The programme's team recognised the difficulties facing it.

A navigating cadet receiving instruction in using sextants from the second officer aboard a giant tanker.

Despite a welter of technological changes, some traditions are still deeply rooted in the industry. There would also be some conflicts between owners and the unions, and on some matters of shipboard life between different unions or between grades of seamen.

Nevertheless the programme has been trying to steer the industry towards some targets it believes should be met if shipping is to improve efficiency and job satisfaction. It is now on the point of proposing firmer proposals to the General Council and the unions on how they should go about it.

The team has focused much of its work on three features of the industry which it believes are hampering attempts to sort out manning difficulties. These are the continued existence of the "pool" system of labour, the tradition of viewing ship complements as temporary communities, and the sometimes unhappy relationship between officers and shore management. In addition there is a larger category of difficulties related to training, career development for ratings and officers, and the peculiar nature of shipboard life.

British shipping, in line with that of most other countries, operates a labour pool system. Only a third of able seamen (qualified trained deck ratings) are on regular contracts with particular shipping companies. A third have long-term though informal arrangements. The remaining 30 to 40 per cent are in the labour pool.

A much higher proportion of officers are regular employees of individual companies—about 85 per cent—but that still leaves about one in six drawn from the pool.

Although the pool system is dying, its continued existence is recognised by most shipping lines and many seafarers as a stumbling block to improving the general standard of officers and seamen and promoting a closer relationship between the individual company and its seamen on which better productivity can be based.

For one thing, the pool system tends to dry up during the summer and Christmas periods although the number of men needed by the companies remains fairly constant. Companies are forced to take what is available, and this has meant trawling for seamen from southern Europe and elsewhere, where standards are generally lower.

The operation of the system also militates against attempts to improve commitment from officers and ratings to the particular companies they work for.

Some of the Sealife team believe the quality of pool ratings and some of the 15 per cent non-contract officers is lower now than it used to be.

Associated with this is the industry's own relatively entrenched attitude that, apart from most senior ships' officers, ship crews are simply a collection of individuals brought together for a relatively short period to work on one or two voyages before being disbanded.

A lot of seamen however appreciate the flexibility, in not being tied to particular companies, that the pool affords them. Shipowners for their part have been worried about the cost of operating a labour system without the pool. In straight employment terms, it is more costly to man ships with crew members on stable contract because companies pay out far more for idle time and seafarers' travelling costs.

A growing tendency for shipowners to overmanage ships from the shore is a development which the Sealife programme sees as a real problem for companies' manning policies.

Partly because of improved world wide communications and tighter financial control from management, some of the jobs normally carried out by officers have been whittled away.

Sealife has also been looking at the deficiencies in training, career structure and seaboard life. A central problem has been a poor career structure for ratings and the lack of retraining geared to shore employment, particularly for officers. At the same time, the programme has been studying some of the basics of ship life, including ways of improving accommodation and working space.

The programme's main theme has been to try to show shipping companies that in the long term, stable crewing, through better productivity based on improved commitment from ratings and officers, should be a prime goal for companies and unions.

It has been proposing that companies institute shore and ship training geared to producing career ladders. For deck ratings it has been trying to sell the idea of a wider entry range, with men streamed towards particular kinds of duties from the outset to improve job enjoyment.

Beyond that Sealife members are known to support the basic principle of single entry for officers and ratings as a way of boosting career prospects and breaking down some of the tightening demarcation between the two. Thirty years ago about a fifth of merchant navy officers came from the lower ratings but today it is down to about 2 per cent.

Some new group training schemes, involving a number of small companies, have been initiated with the help of Sealife. There are two project ships where crew participation in a ship's day-to-day running is being studied, and a group of five companies have been meeting to analyse ways of changing working methods ashore and aboard ship.

Sealife is pressing for shipping and ship design companies to extend consultations to the unions on ship design and has organised a number of "design workshops" where all sides of the industry have been trying to reach agreement on guidelines for future ship development.

Despite the present shipping slump, the industry still faces a general shortage of able-seamen and some companies a shortage of good, experienced officers. If the industry begins expanding again as it is expected to do in the next decade, the Sealife team hopes it will have learnt some lessons on the way its 100,000 employees can best meet the challenge.

Management

EDITED BY CHRISTOPHER LORENZ

Putting soccer's finances on a more professional footing

"THE ATTITUDE to finance in the world of professional football hits many incoming directors like a shock-wave. The soccer world is interested almost exclusively in success on the pitch. The lack of cost-consciousness comes as a surprise—to say the very least."

The words are Richard Moore's, and he should know. A chartered accountant, and at 48 managing director of his successful £5m family knitwear business, Cox Moore, he has also held the uncomfortable job of finance director at Derby County Football Club for the past four years.

Few other soccer clubs may boast a chartered accountant on their board, but in other respects Mr. Moore represents a new breed of young men who are trying to instil financial management in football with some of the techniques now used in commerce and industry.

"When the first board meeting I ever attended at Derby came to discuss finances, the chairman called for a financial report and the secretary simply read out the current bank balance," he says. "We then passed on to the next item on the agenda. Cash flow was unheard of."

Dividends

It is not only most Board members who are overridingly preoccupied with success on the field. Derby has many shareholders, but they receive no dividends. Mr. Moore recalls one AGM "where the shareholders were more concerned that we were displaying the League Championship Trophy than criticising the accounts, which were not as healthy as some of us would have liked."

"It is this sort of attitude which has led to the situation where the 92 Football League clubs are a staggering £16.5m in the red," says Mr. Moore.

Since his arrival on the Derby Board, Mr. Moore has encouraged the generation of new sources of revenue, especially through sponsorship, a field he pioneered in British football. He has also tightened the reins on costs by introducing a form of budgetary planning and control—in spite of the scepticism of many of the club's staff. But he has been disappointed at the inability to introduce a sophisticated system of the sort now common in industry.

"Cash flow planning, in particular, is damned difficult," he says. It is not a run of bad weather, nor an unexpectedly rapid elimination from a cup competition (both of which cut revenue below expectations) which "always messes-up" cash flow, but the buying and selling of players. This can occur almost without warning for all sorts of reasons: a player is injured and needs replacing, or the club manager suddenly hears of an opportunity to buy a star player, and has to move fast to get him before another club.

Like any prudent businessman, Mr. Moore would never allow his factory manager to go out and buy £100,000 of new machinery at the drop of a hat. "We would have expert advice in front of us, and would know the return we could get from such an outlay. We could estimate what the machine would produce and give us back during its working life, assuming we could sell its production.

"There is no such guarantee on a £250,000 footballer! He could break a leg in his first game, or prove an expensive flop."

Mr. Moore knows the problems from bitter experience. "Two expensive purchases at Derby who did not work out for us before the present manager arrived have subsequently been allowed to go, with a resultant cash loss of over £300,000 within two years," he says.

As Derby County's shareholders gather for today's AGM, its finance director talks to Christopher Lorenz.

The danger of buying a few expensive players, rather than spreading the risk across a greater number of less obvious "stars" — an alternative policy generally followed by last season's cup-winners, Ipswich Town, for example — is underlined by Derby's balance sheet.

Having won the League Championship in 1972, and again in 1975, Derby's finances were in an apparently healthy condition. But the bubble burst with frightening suddenness.

Within two years, the club had slumped to 15th place in the First Division, though last season ended in slightly better shape, in 12th position. After five years of dramatic growth, match receipts stagnated, and an overdraft of £150,000 was accumulated in just one year.

Though this had been more than halved by the next accounting date, just two-and-a-half months ago, the club's high spending in the transfer market over the past two seasons more than doubled the amounts owing to creditors in the last financial year, to £435,500. All in all, Derby's current liabilities soared by almost 112 per cent, to £834,000, between the end of May 1977 and a year later. "Such is football's finely balanced margin between success and relative failure," is Mr. Moore's comment on the shifts in the clubs overall finances over the past two years.

In spite of the financial problems, and Mr. Moore's awareness that "the risk in buying really expensive players is very high," Derby has continued to follow football convention and go for stars, in an attempt to buy its way out of trouble and back into a run of success on the field. Only four months ago, after a long board wrangle, the manager, Tommy Docherty, was allowed to pay £275,000 for one player. Although payment was on an instalment system, special dispensation had to be secured from the club's bank, National Westminster.

The logic behind the move was clearly expressed at the time by Tommy Docherty himself. "This is a lot of money for a club with only 20,000 gates (spectators per game), but we would be getting a natural goal-scorer, an entertainer and a character—just the type to attract the Derby public."

The purchase completely threw out Mr. Moore's budget. But he still says "it would be wrong to try to control managers more. They are the experts of the only commodity a club has to sell—its football. The manager's task is to dedicate himself to achieving success on the field. Inevitably that means he has to commit its financial resources to that end."

Underlining the dilemma of any club's directors, he says that if the team is successful "then the crowds will arrive in their thousands to provide more cash with which to buy more players to preserve the success. But when things are going wrong, when attendances fall and success flies out of the window, spending can be the only hope in an attempt to get it back."

In such circumstances, "the Board really has to back the manager—or sack him. Maybe this is why soccer managers have such a high casualty rate."

Capping all these uncertainties is the way most managers are appointed. Again, the contrast with industry is complete. "If we appoint a senior executive at Cox Moore, we can carefully collect his career data, make discreet trade inquiries, and examine his record," says Richard Moore. "It is much more tricky in football, because each job is different, and it is very difficult to make discreet inquiries because of the publicity problems. Yet what guarantee do the directors have that an appointment will be successful?"

Not every outsider to the emotional world of football would agree with Mr. Moore that "it would be wrong to try and control managers more." Is there any essential difference between their job and that of a general manager in a firm of, say, architects or computer programmers?

Terry Kirk

Richard Moore: bringing hard-nosed commercial expertise into the emotional world of football.

He also has to keep a team of highly-skilled, often temperamental professionals at peak performance for years on end. Yet he is usually subject to close control by his board. At least he will have regular and formal meetings with them, a situation rare in football, where the board's only real contact with the manager on substantive issues tends to be via the chairman's one-to-one relationship with him.

In such a situation, the finance director of a soccer club can do little more on the expenditure side than Mr. Moore has done at Derby. But there is more scope as far as revenue is concerned.

Since match attendances throughout the Football League are not increasing, most of the extra revenue-raising has to come from indirect sources, unless a club can dramatically improve its League position from year to year.

One of Mr. Moore's innovations—since taken up by many other clubs, notably Everton—is match sponsorship. Starting with a European Cup match in 1972, when his firm put up £1,000 jointly with the International Wool Secretariat, Derby has gradually developed an annual £10,000 revenue from match sponsorship by business organisations — ranging from brewers to car distributors, the Co-op to British Road Services. Derby's best-known example of sponsorship was a deal with Saab, the Swedish motor group, under which the players' shirts would have borne the Saab name and insignia. But the TV companies "killed-off" the deal—as Mr. Moore puts it—through their ban on shirt advertising when matches are televised.

The most lucrative short-term prospect is provided by the club's two lotteries, which began operations earlier this year under the new Lotteries Act. Estimates of what they could raise have increased dramatically in the past few months, and Mr. Moore is now looking to £250,000 a year by next season.

Lotteries

"The new laws on lotteries have been a boon to us," he says. But he is naturally unhappy about Lord Rothschild's recent proposals for restricting private lotteries.

Mr. Moore is under no illusions about the fact that banks are far readier to risk their funds in football clubs than in other sorts of small business—presumably for reasons of public goodwill. "Let me confess," he says. "If I go to the bank on behalf of Cox Moore, I know I am there with a legitimate proposition, the end product of which can be quite accurately estimated.

"When I visit them on football business, more often than not I have to ask almost tongue in cheek—as the bank well knows!"

How Hammersmith is attracting new industry

NO LAND, no powers, and no money. Such were the problems facing Jack Stopforth, Industrial Development Officer for the London Borough of Hammersmith, when his unit was created.

Less than two years later, his team has identified 60 acres for industrial development in the near future, with an employment potential of up to 3,000 people; he is confident there will be no difficulty in letting the space.

Soon he will be leaving to face the even greater challenge of a similar job on Merseyside.

Much of the land has been found by persuading British Rail and British Gas to release unused or under-utilised sites, while new powers and finance have become available with Hammersmith's enhanced status, first as a "programme area" and most recently as a beneficiary of the Inner Urban Areas Act.

The borough's problems, of job loss, social deprivation, housing shortage and industrial decay are common symptoms of Britain's declining inner city areas.

In spite of the council's readiness to create Mr. Stopforth's post, his first main task was to re-educate its councillors, as well as some of its officers.

There was a widespread fear that emphasis on industrial development would mean sacrificing housing and environmental objectives, and that industrial decline in inner cities was in some way an inevitable result of regional policy. Mr. Stopforth set about changing these attitudes by argument and demonstration.

The results of a survey of local firms showed, among other things, that many of the smallest industrial units were built before the First World War, that council policies—and in particular a strategic plan for the Fulham Reach area on the Thames, designating it a housing area—had deterred investment, and that because of the borough's excellent transport facilities there was a real and unsatisfied demand for small factory and warehouse units.

In council the "housing lobby" was overcome, Mr. Stopforth considering his first victory the redesignation of Fulham Reach as an industrial area. This, he claims, had the immediate result of saving over 100 jobs in a Duckhams factory which had previously been threatened with closure.

Having proved the demand for new industrial units Hammersmith could at this stage have opted for a highly interventionist policy, building new nursery units. Instead, while not opposing such methods in principle, the council decided on the less risky, and it is claimed, more efficient policy of encouraging private investment.

Liabilities

British Rail and subsequently British Gas were approached at Board level and undertook to release packages of land, sometimes lacking access, for redevelopment. In this way Hammersmith saw itself as turning liabilities into assets.

The Hytho Road area, near Wormwood Scrubs, is undoubtedly the Hammersmith/British Rail showpiece. Using Government finance, the council authorised the clearing and levelling of this near-five-acre site. By the end of 1979 it is hoped there will be a range of small factory units and warehousing there.

In other areas Hammersmith has acted as a catalyst. For example, Marks and Spencer is at present undertaking a major 250,000 square feet warehouse construction in the centre of the borough which will provide 250 jobs and supply the company's Marble Arch store. Hammersmith's role was simply to introduce developer to land owner, and speed through the planning application.

By virtue of its existing policy and achievements, Hammersmith must be well placed to take advantage of the new Inner Urban Areas Act, which will give some boroughs new powers to give loans and grants for expansion, and to designate industrial development areas.

Paul Taylor

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● INSTRUMENTS

Measurement of colour

ABLE to operate as a stand-alone unit or as a remote problem-solving terminal, a spectrophotometer system by Applied Colour Systems of Princeton, New Jersey, is being offered and supported in the UK by BOC Automation of Daventry.

Its purpose is to provide high-speed, high resolution colour measurement for the paint, textile, ink and plastics industries.

The equipment is built around the ACS Spectro-Sensor photometer (also available from BOC) and includes processing power enough to allow it to operate as a unit, or it can be connected to a main computer, combining with existing ACS-500 or ACS-600 systems. In this way, performance is maintained whether the work is done at a centre or over a terminal.

When it is operating as a remote unit, the equipment runs on a DEC 11/03 with a Decwriter communication unit. The programs available cover instrument data reduction and computation, colour difference calculations and instrument calibration.

System performance includes reflectance and transmittance measurements with better than plus or minus 0.2 FMCII colour difference unit repeatability and selectable data output.

High accuracy is achieved by taking 100 discrete measurements across the visible spectrum.

The sensor has scanning speeds of 2 to 6 seconds—4 seconds average—and has photo-cell monitoring of lamp intensity for direct feedback adjustment.

BOC Automation is on Daventry (03272 5026).

Two-purpose tester

MEASURING pH values between 0 and 14 ph, 6000 series temperature compensation is automatic and there is, the additional facility of direct temperature measurement over the range of minus 30 to 150 degrees C.

The Model 6060 has a resolution of 0.1 pH and its temperature compensation range is 0 to 100 degrees C. For the basically similar Model 6050 the figures are 0.01 pH and 0 to 50 degrees C.

Both models are supplied complete with a choice of two standard probe sets; Set A is suitable for pH measurement in liquids, while Set B is for pH measurement in semi-solids such as soils, and solid foodstuffs such as meat, cheese, etc.

In addition an extra-rugged temperature probe is available for forcible insertion into more resistant materials e.g. frozen meat carcases.

The instrument is powered by internal MN 1500 (manganese alkaline) cells giving 35 hours of continuous or 60 hours intermittent use. Battery life is greatly extended by the 3-position switch giving a 'momentary on' facility which means that the instrument need be switched on only for the instant a reading is required. Type AA rechargeable cells are offered as an optional extra and a 60 mA charger for use on 240 V ac mains is then provided.

Havant Instruments, Unit 3, 20 Portsmouth Road, West fields, Horndean, Hants. Horndean 590020.

Works in a dual role

AN INSTRUMENT which may be used to detect cracks in both ferrous and non-ferrous metals and also to sort metals has been produced by Hocking Electronics.

The instrument has been called the Halec and is claimed to be suitable for most non-destructive test applications. When its probe passes over a defect it gives both a visual indication and an audible warning. Probes available for use with it range from a general purpose pencil type to one which is designed specifically for locating cracks in the walls of holes down to 3 mm diameter.

The probe supplied with the instrument for metal-sorting can be used to differentiate between high and low tensile strength materials and between hardened and unhardened components. No preparation of parts is necessary and the instrument will operate on areas covered by paint or plastic film or contaminated by mud, grease or oil.

Supplied in a carrying case with accessories, which include mains battery charger and headphones, the instrument can be obtained from Hocking Electronics, 40 London Road, St. Albans, Herts AL1 1NG (0727 55424).

● PROCESSING

Big kiln will cook the chromate

AIDING IN the achievement of what is described as a great advance in the production and processing of sodium dichromate, at least so far as European industry is concerned, the Mechanical Equipment Division of Head Wrightson Teesdale, is to supply and set up a very large rotary kiln for British Chrome and Chemicals at Urlay Nook, Cleveland.

Worth something close on £1.5m, the kiln will be about 300 feet in length and weigh 1,400 tons. It will be fabricated and transported to site in five sections and then aligned and erected on four roller support stations.

Rotational drive is by twin pinion girth gear and it will be controlled by thyristor-based equipment.

Design of the kiln will incorporate certain special features dictated by the process and it is to be built in collaboration with Vulcan Ironworks Inc of Wilkes-Barre, Pennsylvania, U.S.

Mechanical Equipment has been particularly successful in competing for work on this type of processing equipment against competition from leading industrialised countries. Earlier this year, a £1m contract was won in connection with the same project for a rotary drier.

Total order intake by the division now stands at £3m, accumulated in under 12 months.

Head Wrightson (Davy International), POB 10 Stockton-on-Tees, Cleveland, England TS17 6AZ. 0642 62241.

Separation of minerals

NORTON-HARTY Colliery Engineering is to undertake the development of an improved system of froth flotation for cleaning fine coal. The National Research Development Corporation (NRDC) will be providing a major share of the cost during the first part of this £100,000 project. It is proposed that a full-size unit will be installed in 1979 in a UK coal washery on a test basis and, if the development is successful, the company will manufacture and sell commercial plants for coal treatment in the UK and overseas. The work has extensive potential applications in processing of important metalic minerals.

Froth flotation is widely aplied to the enrichment of minerals throughout the world and enables gangue or waste to be removed from the more valuable fractions. A suspension of the fine solids, mixed with a frothing agent, is aerated so that the bubbles carry the valuable mineral into the froth, while the gangue or other mineral species sink.

The process is mainly used in the UK for the removal of clays from fine coal fractions in coal washeries. The fine coal rising in the froth must be filtered before blending with the larger coal fractions, but the residual clay content from the conventional flotation cell hinders the speed and efficiency of this costly filtration.

Development by Norton-Harty and NRDC uses a lay-out devised by Mr. C. C. Dell of the University of Leeds that allows several stages of froth cleaning to be mounted one above another in a compact unit, thereby reducing the clay content to a low level in a single process, without the need for additional banks of flotation cells. It is expected that the improved filterability of the fine coal will enable useful capital savings to be achieved in ancillary filtration equipment.

A pilot unit with an output of one to two tons per hour has already been built by the University of Leeds with support from NRDC and tested successfully for coal cleaning at the National Coal Board's Lofthouse Colliery. However, before major penetration can be made into the UK and overseas markets, a full-scale plant needs to be evaluated, and NRDC is therefore giving its support to Norton-Harty to develop and build such a plant. The NCB has agreed to co-operate in the appraisal of this full-scale unit.

Further applications are expected to arise in the separation of copper, lead and zinc. These ores are already subjected to several separate stages of flotation which could, in future, be replaced by this single flotation system, with savings in capital and running costs.

Details of coal mining applications from Norton-Hardy, Central Works, Market Place, Great Bridge, Sandwell, West Midlands DY4 7AT. 021-557 9331. For other areas of mining—Dr. M. Rendell, Industrial Chemistry Group, NRDC, Kingsgate House, 66, Victoria Street, London SW1E 6SL. 01-828 3400.

Ions help kill bacteria

ELECTRONIC air conditioning equipment that kills bacteria and is expected to have a revolutionary effect on food preservation requirements, has been introduced by Bentax of Switzerland.

It takes into account the electrostatic and biological content of the air as well as temperature and humidity. Applications in Europe are in restaurants, hotels, food processing plants, and food stores.

In cool rooms, the Bentax system reduces the bacteria count by 80 per cent when operating at a temperature of 2 degrees C and 90 per cent humidity, thereby reducing excessive weight loss in meat and eliminating discolouration.

The equipment can be installed in a few hours and works automatically by creating intense ionisation in the indrawn air. This kills bacteria and so reduces the count that operation above freezing point is perfectly feasible.

Data on the equipment is available on 01-952 7527 at Merit House, Edgware Road, Colindale, London NW9.

● CONFERENCES

Combustion of coal

THE pollution-free combustion of coal and the computer-based design of furnaces are among topics to be discussed at the Seventeenth International Combustion Symposium, to be held at Leeds University from August 20-25.

To be discussed are turbulence/combustion interactions, combustion reaction kinetics, inhibition, ignition, flame structure, fire and explosion, and engine combustion. The increasing recognition of the importance of coal as a source of energy will be reflected in papers on new techniques for its pollution-free combustion such as those involving fluidised beds.

New computer-based methods for the design of the next generation of furnaces and various types of internal combustion engine will also be discussed. About 900 delegates are expected.

● DATA PROCESSING

Sainsbury's progress

GOOD RESULTS are being achieved with the checkout system installed at SavaCentre's Hypermarket in Washington New Town. The store, jointly owned by Sainsbury and British Home Stores, opened last November and was probably the first to operate the most advanced in-store hypermarket computer system in the U.K.

This is an NCR 25 installation based on two computer processors controlling 38 check-outs, disc drives, visual display units and a printer.

Several thousand lines are entered into the check-out terminals by code rather than by price, permitting stock, profit, and re-order control at store level. A comprehensive financial package is also operated, including the payment of all suppliers' invoices. The customer receipt which is produced has the facility to give clear descriptions of each item purchased.

The system does not at present use scanning techniques to capture sales data, but is capable of being up-graded if required when enough products carry the article numbering codes.

Sainsbury is studying the application of computerised check-outs in supermarkets. There is still a lot of progress to be made in developing an appropriate system and the company is evaluating a number of approaches with different manufacturers. As part of the development and evaluation progress a team has recently been to the United States to study systems in operation there.

J. Sainsbury, Stamford House, Stamford Street, London, SE1 9LL. 01-921 6268.

More data on the disc

PERTEC has released in Britain its FD650 double-headed flexible disc drive capable of recording and reading data on both sides of a standard 8 in diskette.

The two-sided drive is capable of both single and double-density operation giving an on-line storage capacity of 800K or 1.6 Megabytes.

FD650 is compatible with IBM diskettes 2 and 2D (or equivalent) and its electrical interface is compatible with the current proposed ANSI standard (i.e. the current *de facto* industry standard interface).

Each drive has a die-cast construction and is equipped with a door-lock. All electronics are on a single printed circuit board. Track-to-track access time is 3 msec, with head load time of 35 msec and track settling time of 15 msec. Head positioning is achieved by a steel band attached to the head carriage and to a drive pulley on the shaft of a four-phase permanent magnet stepper motor, each step of the motor causing the head to move one track.

Pertec, 10, Portman Road, Reading, Berks. (0734) 582115.

Key to network at NPL

COMPUTING SERVICES UNIT at the National Physical Laboratory in Teddington has taken delivery of a GEC 4070 system to be used primarily for logging and reduction of experimental data.

It will receive data from terminals and computers on NPL's data communication network, which incorporates 200 terminals and processors of six different makes. To make the connection, NPL has developed an interface to BS4421 which will plug directly into a standard GEC 4000 digital input/output board. NPL is also writing the communications software to enable the GEC 4070 to be accessed from any of the network terminals.

The GEC 4070 installation includes 128 kilobytes of store, 9.6 Mbytes of cartridge disc store and a cassette program loader. Supplied software is Babbage, Coral and Fortran IV.

Package for beginners

MICROCOMPUTERS which use the Z-80 processor in combination with the Micropolis high-capacity mini-disc, are offered by Sintrom Electronics, of Reading, Berks.

A complete packaged system, the Vector Graphic, includes power supply, a 32K processor, input/output card, monitor card and a single 143K capacity disc, for £1,750. A Lear Siegler terminal can be added for a further £650.

Software includes assembler, monitor and editor. An analogue interface is available, as is a special card to enable data to be displayed graphically.

Sintrom, Arkwright Road, Reading, Berks. 0734 85464.

● POWER

Few spikes on the grid

AMERICA'S power supply networks have won an unenviable reputation for their power "brownouts," as well as for the more spectacular total breakdowns along the industrial belt of the eastern seaboard during the last two years.

A great deal has been done already to remedy the problems which stem largely from a quite inadequate degree of interconnection.

Now, American Electric Power has ordered some unique equipment from ASEA of Sweden which it will install on its 138 kilovolt network in Kentucky to provide stabilisation of line voltage.

The unit is called a static compensator and it will be the first of its type put to use in the U.S. with thyristor switching of the capacitors.

Roughly speaking, the equipment senses surges or ripples in the power fed down the line and automatically smoothes them out by absorbing excess energy. This is done without adding further "peaks" to the outgoing power and also with very low power loss.

The ASEA design requires less maintenance than other types of power smoothing equipment and is also easier to modify or expand. The company has been designing and building static compensators since 1972.

ASEA (UK), Villiers House, 41, Strand, London WC2N 5JX. 01 930 5411.

Misuse of variable capacitors

LATEST publication to be produced by the International Electrotechnical Commission is a guide to the use of variable capacitors in electronic equipment.

The variable capacitor, says the Commission, is a component which, because of its robust construction, is probably more misused and ill-treated than any other electronic component.

Copies of the guide can be obtained from the Commission at 1, Rue de Varembe, 1211 Geneva 20, Switzerland, price SwFr 14.

The Property Market

BY JOHN BRENNAN

State scheme boosts funds

NO DETAILED figures are available on the amount of additional institutional investment that will be available following the introduction of the new state pension scheme in April. But as Britain's 85,000 pension funds have had to upgrade benefits and increase contributions to come into line with the state scheme, last year's net investable funds of £3.2bn within the pensions sector look certain to rise significantly more rapidly than the general rate of wage and salary increases.

Legal and General Assurance (Pensions Management) which this week reported a £143m increase in funds under management to £893m in the first half of the year, confirms this point by commenting that, "some of the substantial growth is accounted for by the stimulus of the new state scheme."

L and G's fund is now taking in £121m a year, £21m more than in 1977. The fund estimates that around three-quarters of that increase can be accounted for by pension managers trying to keep pace with the state scheme. And it feels that a further surge of new funds is in the pipeline as the many pension schemes that waited until the last minute before upgrading their benefits cast around for a management vehicle for their additional money.

One obvious result of this additional institutional investment is the increased strength it gives to the "weight of money" argument within the property sector. L and G itself, commenting on the performance of its £355m property fund, makes the circular argument that, despite the possibility of, "an uneasy economic passage" ahead the outlook for the property sector is, "for current values to be sustained influenced by escalating building costs, rising rental values . . . and increasing cash flows available for property investment."

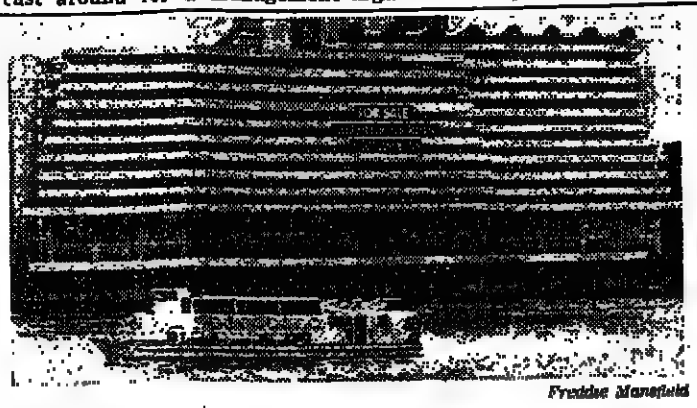
It may not be the most elegant argument to justify property investment on the grounds that, as everyone else is investing in it its price is bound to hold up. But it is a convincing argument.

L and G has taken its first steps into the development market this year, with a number of industrial schemes and the shopping centre schemes at Eastbourne and Warrington adding up to a current development programme valued at just under £5m. Further developments are under consideration. But the fund expects to keep its total annual development expenditure to under 10 per cent of any one year's investments.

Department of Trade and Central Statistical Office figures earlier this week showing that retail sales now match the peak levels of 1973, but that industrial growth is still very sluggish, provide timely jutification of the unusually high retail content of L and G's property fund. Offices account for 52.3 per cent of the fund by value, industrials just 12.3 per cent, and shops 33.2 per cent. Farmland makes up the remaining 2.2 per cent.

Knight Frank and Rutley will be reluctant to take down one of the most visible "For Sale" boards in London. But accountants Prince Waterhouse are relieved to have carried through the critical first stage of the sale of the King's Reach hotel development after a 15 month receivership.

As reported in the Financial Times on Tuesday, a subsidiary of Sea Container Inc. of New York, the U.S. marine freight group, has agreed to pay £9m cash for the uncompleted building. Sea Containers has already paid a 10 per cent deposit, and will pay the balance of the money on completion, early in October.



Freddie Mansfield

Price Waterhouse's pleasure at the deal follows a number of abortive offers for the block which stands, ghost-like and shrouded in plastic near Blackfriars Bridge on the Thames. Only one other firm, but lower offer was received by the accountants, whose partner Mark Homan was appointed Receiver and Manager of the developer, Mella Buckley Apartotels in 1976.

M-B, jointly owned by Mella Hotels and Buckley Construction and financed to the tune of more than £15m by a consortium of mainly U.S. banks, went into receivership three years after work on its 736-room luxury hotel started. Now that the accountants have found a buyer for the block, through K, F and R, they hope to further reduce the financing banks' loss by selling M-B for its only remaining impressive quality, its accumulated tax-losses.

Montague Evans, who advised the U.S. buyer, has gathered consents from the Greater London Council and Southwark to convert the Southern wing of the building, a wing that would have held around 240 bedrooms in the initial M-B design, to office use. Sea Containers will move its British subsidiaries into the converted offices, and will complete the remainder of the block as a five-star hotel on a joint venture basis, possibly with the U.S.-based hotel chain, Marriott Corporation.

IN BRIEF

BERNARD SUNLEY Investment Trust has exchanged contracts for the sale of its Sunley House offices in Rue Belliard, Brussels for a net £8.25m. The sales proceeds, which will be received in December, will be used to repay currency borrowings. The resultant interest saving is expected to boost the group pre-tax income by £700,000 in a full year. Sunley recently reported pre-tax profits of £2.64m in the year to the end of March.

●

LAING DEVELOPMENT, soon to be floated as a separate property company from its construction group parent, has acquired Ralph Hilton's former 6.23 acre industrial site in Lombard Wall, Charlton, South London.

Laing bought the site from the receiver of Roadships, the group that succeeded the ill-fated Ralph Hilton Transport. And the acquisition gives it one of the largest vacant warehouse buildings in London, with a 120,000 sq ft unit now being offered for a two month short let through Russell, Cash and Donaldson and Son. After the two months Laing plans to sub-divide the existing building into units of between 10,000 and 40,000 sq ft and to build a further four 10,000 sq ft warehouses that will be ready for occupation late in 1979. The industrial estate, which will have an eventual capital value of around £3m, acquired a temporary fame before the Hilton collapse as the location for outside scenes of the Television soap opera 'The Brothers.'

●

W. H. BLATCH INVESTMENTS, the private, Scottish-based property group, has won the contract to carry out a £3m, 120,000 sq ft development in Nuneaton. Nuneaton Borough Council has accepted Blatch's plans for the redevelopment of the town's old Gas Works site next to a proposed ring road that will eventually connect the site with the M6 Motorway.

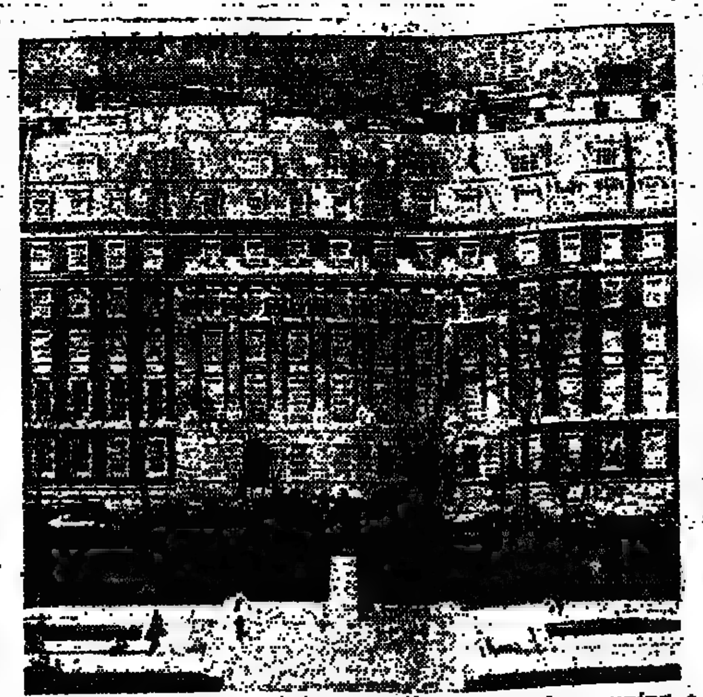
Blatch is to build a 28,000 sq ft food store and a 20,000 sq ft non-food store—both of which are under negotiation—along with showrooms and eight standard shop units. A 600 space car park will be built on top of the scheme, which will bet under way early next year and which should be open for trading in 1981.

A 125-year lease on the land from the council has enabled Blatch, advised by King's Lynn agents Cruso and Wilkin, to line up bridging finance for the scheme. But long-term, possibly overseas funding is being discussed by the developer, which has been active in the Dutch property market in recent years.

●

THE BRITISH Property Federation is sponsoring the establishment of a property development fellowship at Reading University. The federation is to provide a grant of £3,000 a year for an initial period of three years to the University's Department of Land Management and Development to set up the new post, the British Property Federation Visiting Fellowship in Development.

The BPF has been looking for ways to encourage an understanding of the property development role, and it sees the fellowship, which will come into being on October 1, as an ideal way to increase the academic respectability of development and to spread the word that developers rarely live down to their cartoon image.



Trafalgar House, Nigel Broackes and Victor Matthews' shipping, property, civil engineering and publishing group, abandoned the flat "break-up" business on a large scale back in the early 1970's. But Trafalgar has maintained a discreet interest in the residential dealing market by making the occasional, top class flat block purchase—just three blocks in Mayfair in the past four years—and by running a very low profile, if high price, sales programme of individual flats.

A family trust client of Savills has helped to maintain the tone of Trafalgar's apartments business. The Trust has accepted the group as the only British tenderer for the 57-year lease on an unbroken block of 21 flats at 15, Grosvenor Square, W1.

The 1936 block contains some of the largest central West End flats to survive as privately rented residential space. And, as three of the larger flats facing Grosvenor Square are immediately vacant, or empty by October, it is understood that Savills' original rule-of-thumb tender reserve price of just over £3m has been comfortably exceeded.

Hamptons, who advised Trafalgar on the purchase and who remain as selling agents, are talking in terms of £600,000 apiece for the three unmodernised flats falling vacant this year. The agent will be asking considerably more once work is completed on modernising the common part of the building and updating the 4,037 square feet, four bedroom flats.

Leases on the remaining unfurnished flats fall-in by March 1981. But as tenants can claim security of tenure, Trafalgar is willing to take a long term view of the property.

The group has acquired the block from sub-leaseholders of Friends Provident, which holds a 99-year lease—less three days—from the freeholder, Grosvenor Estate. Friends' lease expires in August 2034, but as its fixed ground-rent amounts to just £2,800 a year, Trafalgar has made no move to buy out the insurer's interest.

INDUSTRIAL AND BUSINESS PROPERTY

APPOINTMENTS

Tozer Kemsley executive posts

Mr. Tom Harrison has been appointed chairman of TOZER KEMSLEY AND MILLBOURN LIMITED, the UK export-finance subsidiary of Tozer Kemsley and Millbourn (Holdings). Other members of the Board of that subsidiary are Mr. Christian Williams, managing director, Mr. Clive Burnage, Mr. John Mitchell, and Mr. Ted Warrington. Mr. Ken Coales, has become secretary of TKM International Trade Finance an dcontinues as secretary of Tozer Kemsley and Millbourn Limited.

★

Mr. A. O. Collinson has been appointed to the Board of BRITISH CELLOPHANE as marketing director of the films division. Mr. P. I. Pedrick, formerly joint general sales manager, has becom egeneral sales manager of that, division.

★

The Secretary for Prices has appointed Mrs. Mary Clarke, Mrs. Elizabeth Stanton, the Reverend David Jennings and Mr. Ramindar Singh as members of the NATIONAL CONSUMER COUNCIL until July 31, 1981.

★

Mr. Peter Rowley has been appointed deputy managing director, and Mr. Gerry Goodwin, sales manager, of HARDALL, a subsidiary of Percy Lane Group.

★

Mr. David M. Garner, partner of Halliday Simpson and Co., has joined the Board of HABIT PRECISION ENGINEERING as a non-executive director.

★

Mr. Brian Marsh has been appointed production director by ALCAN WINDOWS. He joins the company from Alcan Metal Centres at Hayes.

★

Mr. Fernando U. Fajardo has been appointed business manager, polymers in the New York-based chemicals department of BP NORTH AMERICA TRADING. Mr. Fajardo was previously polymers consultant to the company.

★

Miss Ann Toulmin has been appointed secretary of the WOMEN'S NATIONAL COMMISSION, succeeding Dr. Grace Rhmornton, who has retired. Miss Toulmin's career in Government service includes the British High Commission, Ottawa, the Treasury, and since 1971 the Cabinet Office.

ANZ BANKING GROUP, London, has appointed Mr. R. Axon senior manager (corporate banking) and Mr. A. E. Archer manager (corporate banking). Mr. B. A. Plaice-Leary has been made manager (technical services).

★

Mr. Geoffrey C. Godber, Mr. Edmund S. J. Standen and Mr. Frank Welsh have been re-appointed part-time members of the BRITISH WATERWAYS BOARD for a further three-year term.

★

Mr. Stanley W. Wyatt, a chartered surveyor and auctioneer, has been re-elected a director of the LONDON GOLDHAWK BUILDING SOCIETY.

★

Mr. David R. Neil has been appointed a director of UNION-AMERICA INSURANCE COMPANY. Mr. Neil has been treaty underwriter of the company since September, 1977.

★

Mr. Edward Hatchett, formerly joint secretary and investment manager of the PRUDENTIAL ASSURANCE COMPANY, has been appointed a director.

★

Mr. Conrad M. Black has been appointed chairman of MASSEY-FERGUSON LIMITED, replacing Mr. A. Bruce Matthews who remains a director. Mr. Black is president of Argus Corporation.

★

Mr. John Farnhill has been appointed managing director of Alan Cobham Engineering, a member of the Flight Refuelling Group.

★

Mr. Ian Trethowan, Director-General of the BBS, Sir Leslie Murphy, chairman of the National Enterprise Board, and Sir Henry Plumb, president of the National Farmers' Union, are among 46 new Fellows of the BRITISH INSTITUTE OF MANAGEMENT. Also included are eight officials from the National Coal Board: Mr. J. R. Cowan, Mr. Donald Davies, Dr. P. W. Glover, Mr. L. J. Mills, Mr. G. C. Shephard, Mr. H. M. Spanton, Mr. P. G. Weeks and Mr. J. E. Wood.

★

The following changes have been made in the management of the DOW BANKING CORPORATION and DOW CHEMICAL EUROPE Treasury. Mr. J. David McClung, Dow Europe treasurer, has been appointed chief manager of the Dow Bank in London and joins the bank's management committee. Mr. Leslie Merszei takes over management of the treasury and retains overall responsibility for Dow Banking Corporation. Mr. Arthur Bolliger, at present chief manager of the Dow Bank in London, will assist Mr. Merszei in banking and treasury. Mr. Bolliger will move to Switzerland.

★

The Secretary for Energy has appointsd 18 members of the new SEVERN BARRAGE COMMITTEE. They are Mr. Brian Bailey, Mr. Geoffrey Binnie, Mr. Walter Bor, Mr. W. P. Davey, Professor Ronald E7dwards, Professor Sir Hugh Foard, Captain R. A. Gibbons, Mr. J. C. Heywood, Mr. Don Jones, Mr. John Jukes, Sir Alec Merrison, Mr. Rhodri Morgan, Mr. Arthur Palmer, MP, Mr. J. G. Quicke, Mr. T. M. Haydn Rees, Mr. Graham Saunders, Mr. Gervas Walker and Sir John Wills.

Chairman of the committee is Sir Hermann Bondi, chief scientist, Department of Energy.

★

UNITED BRANDS COMPANY in New York states that Mr. David A. Philp has been appointed director of banana sourcing, EEC/ACP. He is a main Board director of the Fyffes Group, London, and will continue to be responsible for the banada importations for that group based at its London office.

★

Dr. John Maxwell is to set up his own medical advisory consultancy service for the legal and insurance professions in the field of personal injury claims and has resigned from the Board] of ALLIED INVESTMENTS.

★

The BANK OF ENGLAND states that Mr. J. M. Saunders, an assistant chief cashier, will become agent at the Leeds branch from January 29, 1979, on the retirement of Mr. J. G. Shelley.

LOMBARD

Skirmishes on inflation

BY PETER RIDDELL

THE FIRST skirmishes of the election campaign have already started; the clichés have been dusted down and the insults sharpened. The evidence comes from the unseasonal eagerness with which both ministers and shadow spokesmen have produced lengthy statements on the most arcane economic statistics in the past 10 days. There almost appears to be a duty rota of a spokesman for every occasion.

Sloganising

So far, the standard of the statements has not slipped too far; it is, of course, possible for reasonable men to disagree. But it is depressing that the most favourable and unfavourable possible interpretations are placed on the figures. It requires no great leap of the imagination to put exactly the same words into the mouths of the other side if the roles were reversed.

The real test of the politicians' resistance to the temptations of sloganising will come today with the publication at noon of the retail price index for mid-July. It looks almost certain—or else there will be a session of almost Maoist self-criticism in Bracken House—that the figures will show an increase in the 12-month rate of retail price inflation for the first time in a year.

The likely increase in the 12-month rate is not of itself of any real underlying importance whatever today's statements may say. The rise may have a certain symbolic significance in that the 12-month rate is likely to have reached a low point, for the time being, in mid-June when the rise was 7.4 per cent, less than a third of the rate three years ago.

However, any rise in the rate in mid-July will almost solely reflect the fact that comparison will be with a month in 1977 when the index only rose by 0.1 per cent, because of sharp falls in the price of seasonal food. The increase in the month to mid-July this year is likely to have been higher on the basis of the recent trend of monthly rises of at least 0.5 per cent. So any increase today in the 12-month rate does not automatically portend a sudden reacceleration in inflation.

There is plenty of evidence about what the underlying rate of price inflation is now. The best current guide is the index which excludes seasonal foods with increases measured over six months and expressed at an annual rate. This has risen since the early spring from 6.8 to 8.9 per cent, in the period to mid-June; even after allowing for the exceptionally big rise in April, the figures suggest a slight pick-up in the underlying trend.

Looking ahead, neither the steadiness of the Price Comission index of notified price rises nor the continuing moderate rise in wholesale output prices point to any dramatic change in the trend of retail prices later this year. A bigger response might actually have been expected in view of the acceleration in the rate of increase of labour costs in the last year and the fall in sterling this spring. There are, of course, considerable time lags in the transmission of cost increases. But it is possible that companies may be reluctant to push up prices in spite of higher consumer demand because of the intense and apparently successful competition from imported goods. Consequently, Mr. Roy Hattersley, the Prices Secretary, may well beproved right in his prediction that the 12-month rate fo retail price inflation will fluctuate around 8 per cent for the rest of this year, but this will only be achieved at the cost of a squeeze in industry's profit margins.

Less comforting

It is much more difficult to make any projections for 1979; as this week's National Institute pointed out, there is no firm basis for making a central forecast for average earnings. But the recent rise in sterling and likely flat trend in commodity prices suggest that pay rises will have to be more than 12 per cent in the new round in order to push the 12-month rate of retail price inflation much above above a range of 9 to 11 per cent. Th ereal lesson is not the one of disaster or relative complacency which may appear in to-day's statement's but the less comforting one that all the sacrifices recent years have achieved is to ensure that prices double every seven or eight years, rather than just within the life of a single government.

AROUND BRITAIN

EDINBURGH FESTIVAL

Airs on a shoestring

BY RAY PERMAN

IT IS an old fallacy that Edinburgh people do not particularly care for their Festival; that every year at this time dour Presbyterians skulk in their houses of sombre stone and leave the city for foreigners to wallow in a three-week orgy of culture.

In its 31 years the Festival — this year's opens on Sunday — has becoem an institution, and Edinburgh loves institutions. It lurches from financial crisis to financial crisis, but each time is saved at the 11th hour as everyone knew it would be. For Edinburgh now without the Festival is unthinkable, as much for the citizens as for the city fathers.

It was not always so. When the Festival idea was first mooted by a small group led by Rudolf Bing, then general manager of the Glyndebourne Opera, there were plenty who thought it too adventurous and too expensive for the austere post-war years.

But it survived the rationing and the doubters and now ranks among the largest and most prestigious in the world, rivalling Salzburg and Bayreuth. It is of immense value to the city, both in terms of hard cash, and in the status it bestows.

But it is also looked upon as an event to be enjoyed.

Edinburgh people buy around 30 per cent of the Festival tickets every year and a similar proportion is taken by Scots from elsewhere. Visitors from south of the border and from abroad occupy only a minority of the seats.

The Festival has maintained its wide appeal by offering a varied programme. It is not tied to one composer, like Salzburg is largely to Mozart or Bayreuth to Wagner, and always includes drama alongside music, often opera, occasionally ballet and even revue.

This last is, of course, a forte of the Festival fringe, which grew from one or two performances in schools and halls on the edge of the city centre to its present state where it has a full-time administrator and includes 140 different programmes of extraordinary range. Though basically one is highbrow and the other low, the Festival and the fringe do overlap. Alongside its wilder offerings, the fringe always includes serious music and drama, and it is often now forgotten that "Beyond the Fringe" was an "official" Festival production.

he Festival has now also spawned an Edinburgh Film Festival, which is growing in international stature, and a number of other less formal entertainments. Three years ago the city's licensed trade persuaded the magistrates to allow late opening in more than 300 pubs, restaurants and hotels and the experiment was a huge success. Now the Continental luxury of unhurried drinking after a show is part of the scene. Even the police have pronounced themselves satisfied with the results.

Despite the strong local support, the Festival does attract an enormous number of visitors, who fill hotels and boarding houses and spend their days in shops as well as their evenings in concert halls. A survey by economists from Philadelphia in 1978 estimated that the Festival brings around £15m a year into the city and achieves worldwide publicity worth a further £2m or more.

It is largely due to the Festival that Edinburgh has become an international tourist centre, with a season that goes on into mid-September.

Yet the outlay to achieve this return is minimal by international standards. Edinburgh is a festival run on a shoestring. Last year, the Festival Society spent £786,000 on productions and got back £516,000 in ticket revenue and broadcasting fees, leaving £270,000 to be found by the City Council, the Scottish Arts Council, profits from the military tattoo and private donors.

The Salzburg Festival, which sells around the same number of tickets (although it usually has fewer performances and lasts five weeks rather than three), had a budget of £5.4m in 1976. Its deficit is spread much wider: 40 per cent is met by the provincial government, 20 per cent by the city and the remainder by tourist boards. And Edinburgh's tickets — although they seem expensive enough to British wallets—are a fraction of European prices.

It does not take a degree in economics to work out that, as Edinburgh consistently attracts international names—this year Daniel Barenboim, Claudio Abbado, Teresa Berganza, Isaac Stern, Pinchas Zukerman, Dietrich Fischer-Dieskau and many others—they must come for something else than money.

Neither the Festival Society nor the artists themselves care to talk too much about it, but it is obvious they cannot be paid fees competitive with those they earn abroad. They come for the pleasure of performing in Edinburgh and with orchestras of the standing of the London Symphony, London Philharmonic, Chicago Symphony, Dresden Staatskapelle and the Scottish National, and opera companies of the calibre of Scottish Opera, Zurich Opera and Stadtische Buhnen.

All for Love at the Assembly Hall.

Programmes are partly chosen by the festival director, but artists have a lot of freedom in what they perform. There are always well-known works, but also pieces that will be new to many concert audiences. This year, there is a lot of Janacek and works by Baermann, Lutoslawski and Massiaen.

But the financial stringency imposes some restraints. "We have a real need to build up some reserves so that we can put on more adventurous programmes that are commercially risky," says Iain Crawford, the Festival Society's publicity manager. His is the delicate and demanding task of trying to build up sponsorship for productions.

"It is ironic," he comments, "that while we are struggling to raise money from sponsors there are people in Zurich who are only too willing to pay towards the costs of Zurich Opera and the honour of seeing their local performers appearing at the Edinburgh Festival."

Sponsorship of the arts has been slow to catch on in Britain, but Mr. Crawford has had some notable successes. Last year's Carmen, for example, acclaimed by the critics, was made possible by £35,000 from BP, and this year the Royal Shakespeare Company is receiving £10,000 in sponsorship.

"We try to ensure that our sponsors get something in return for their money. We realise that you can't just take the money and ignore them. But it is difficult to quantify what they get in return."

Shorter distance should give Salamis her first win

RACING

BY DOMINIC WIGAN

SALAMIS, who would almost certainly have won before now had she not been fulfilling the role of pacemaker to that top-class stablemate Cistus, looks set to gain a deserved first success in bte Athford Stakes at Kempton this afternoon.

The Dick Hern filly, a respectable sixth of eight behind Seraphima in the Nell Gwynn Stakes at Newmarket's Craven meeting, returns to five furlongs after six abortive attempts at distances varying between seven furlongs and one-and-a-quarter miles.

By that top-class miler Sun Prince out of the Matador mare Bandarilla (already responsible for Sallust and Strabo), Salamis ought to be seen to far better advantage over this trip which she tackles for the first time since last year.

I take her vastly to increase he paddock value with a win over the one-time live Guineas hope Lily Marlene, an inmate of the in-form Newmarket stable of Luca Cumani, who has just returned to headquarters after a spending spree at Saratoga.

Even if he fails to take the opener through Salamis, Willie Carson—about to widen his field of earnings through TV commercials and other promotions—should have at least one winner for both Ravensbourne and More Light are strongly fancied.

Ravensbourne, whom Carson partners for Gold Rod's handler, Reg Akhurst, will strip a good deal fresher than most of his opponents in the Thames Selling Handicap after just one previous run this term.

KEMPTON
2.00—Salamis***
2.30—Ravensbourne
3.00—Bance
3.30—Capetown Lion
4.00—More Light
4.30—Tintern Heights

HAMILTON
3.15—Gregorian**
3.45—Con-Man
4.15—Two Bells*

More Light, another Hern filly, need only reproduce her encouraging homework to take all the beating in the Chertsey Lock Stakes, from which Golden River is a surprising absentee.

A year ago Michael Stoute saddled the heavily backed Dscreet to land Hamilton's 20-runner Halleth Stakes in the hands of Edward Hide, and it looks more than likely that he will repeat the success through Gregorian this afternoon.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.55 Paddington. 10.00 Jackanory. 10.15 Help! It's the Hair Bear Bunch. 10.35 The Islanders. 1.30 pm Trumpton. 1.45 News. 3.45 Dechrau Canu Dechrau Canmol (Hymn singing). 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Agaton Sax. 5.10 Play Away.

5.40 News (London and South-East only).
5.55 Nationwide.
6.20 The Blonde Bombshell.
7.10 Hoe Down.
7.40 Young Dan'l Boone.
8.30 The Fall and Rise of Reginald Perrin.
9.00 News.
9.25 Petrocelli.
10.15 Face the Music (London and South-East only).
10.45 Regional News.
†10.46 The Late Film: "Red-Headed Woman," starring Jean Harlow.

All Regions as BBC-1 except at the following times:

Wales—1.30-1.45 pm O Dan Y Mor. 5.10 Crystal Tipps and Alistair. 5.15-5.40 Telifant. 5.55 Wales Today. 6.15-6.20 Newydd. 7.10-7.40 Crwydro Clawdd offa (2) O Weblai i Drefesgot. 10.15 Music in Wales. †11.15 The Late Film: "Red Headed Woman." 12.30 am News and Weather for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.46 News for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Foyle Festival '78. 10.45-10.46 News for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) On Camera; Midlands (Birmingham) The Chrysler Takeover: North (Leeds) BBC North Young Music Makers; North East (Newcastle) Friday North; North West (Manchester) North-west of Westminster: South (Southampton) Hey Look . . . That's Me; South West (Plymouth) Peninsula: West (Bristol) It's In The Blood.

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC-1 4.20 pm).
4.55 Open University.
7.00 News on 2 Headlines.
7.05 Children's Wardrobe.
7.30 News on 2.
7.40 Six English Towns.
8.10 Wolf Pack.
8.30 Master Class: Woody Herman (clarinet) and five members of his band.
9.00 Jazz From Montreux with Earl Hines, John Lewis and Joe Pass.
9.25 Horizon.
10.20 Don't Forget to Write!
11.10 Late News on 2.
11.20 Closedown (Reading).

LONDON

9.30 am Elusive Butterflies. 9.55 Be a Sport with Brendon Foster. 10.20 Oscar. 10.30 Animated Classics. 11.20 Stationary Ark. 11.45 Felix the Cat. 12.00 The Learning Tree. 12.10 pm Stepping Stones. 12.30 Look Who's Talking. 1.00 News plus, FT index. 1.20 Platform. 1.30 Family. 2.25 Friday Matinee: "Press for Time." 4.15 Children of the Stone. 4.45 Runaround. 5.15 Cuckoo Waltz.

5.45 News.
6.00 After Noon In Action.
6.25 Cartoon Time.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Backs to the Land.
8.00 Hawaii Five-O
9.00 The Foundation.
10.00 News.
10.30 M'Lords, Ladies and Gentlemen.
11.30 Police 5
11.40 Law Centre.
12.40 am Close—A painting by Canaletto and music by Vivaldi.

All IBA Regions as London except at the following times:

ANGLIA

10.20 am Dynomutt, The Dog Wonder. 10.40 Tell Me Why. 11.05 Magic Circle. 11.30 Paper Lads. 1.25 pm Anglia News. †2.25 Friday Film Matinee: "The Cross of Lorraine." 5.15 Stars on Ice. 6.00 About Anglia. 8.00 The Incredible Hulk. 10.30 Cross Question. †11.30 Friday Late Film: "Sweet Smell of Success." 12.40 am Christians in Action.

ATV

10.20 am Friends of Man. 10.45 The Paper Lads. 11.10 Conquest of the Sea. 1.20 pm ATV Newsdesk. 1.30 General Hospital. 2.25 Family Film Matinee: "The Sheriff of Fractured Jaw." 5.15 Those Wonderful TV Times. 6.00 ATV Today. 8.00 The Incredible Hulk. 11.30 Danger in Paradise.

BORDER

10.20 am Dynomutt—The Dog Wonder. 10.40 Tell Me Why. 11.05 The Magic Circle. 11.30 The Paper Lads. 12.30 pm The Story of Wine. †1.20 Border News. 1.30 Survival. 2.00 Afternoon in Action. †2.25 Matinee: "Sleeping Car to Trieste." 5.15 The Partridge Family. 6.00 Lookaround Friday. 8.00 The Incredible Hulk. 11.30 The Law Centre. 12.30 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 1.30 Beryl's Lot. 2.25 The Friday Matinee: "The Sheriff of Fractured Jaw." 5.15 Friends of Man. 6.00 Channel News. 6.10 Valley of the Dinosaurs. 7.30 Survival. 8.00 The Incredible Hulk. 10.28 Channel Late News. 10.32 The Selling of the Sea. 11.25 Mystery Movie: McCloud. 12.45 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 10.20 The Beachcombers. 10.45 Tell Me Why. 11.10 Magic Circle. 11.35 Paper Lads. 1.20 pm Grampian News Headlines. 1.30 Survival. 2.00 Summer Afternoon. 2.25 Friday Matinee: "The Purple Plain." 6.00 Grampian Today. 6.10 The Fair Six. 7.30 Bless This House. 8.00 The Incredible Hulk. 11.30 Reflections. 11.35 Grampian Late Headlines.

GRANADA

10.25 am Sesame Street. 11.20 Castaway. 11.45 A Handful of Songs. 1.20 pm This is Your Right. 1.30 The Amazing World of Kreskin. 2.00 Afternoon in Action. †2.25 Friday Matinee: "Carnival." 4.10 Cartoon. 5.10 The Undersea Adventure of Captain Nemo. 5.15 Crossroads. 6.00 Granada News. 6.10 Kick Off. 6.45 Cartoon Time. 7.30 The Many Wives of Patrick. 8.00 The Incredible Hulk. 11.30 Friday Film Premiere: "The Deadly Tide." 1.10 am A Little Night Music.

HTV

10.20 am Rivers of Delight. 10.40 Tell Me Why. 11.05 Magic Circle. 11.30 Paper Lads. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 1.30 Those Wonderful TV Times. 2.00 Women Only. †2.25 "The Sun Never Sets." 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 This Sporting Land. 8.00 The Incredible Hulk. 10.35 Letter by Letter. 11.05 M'Lords, Ladies and Gentlemen.

HTV CYMRU/WALES—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.15-4.45 Camau Canmoil. 6.00-6.15 Y Dydd. 12.05-12.25 am Decision: British Communism.

HTV WEST—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.20 am Dynomutt The Dog Wonder. 10.45 Tell Me Why. 11.10 Magic Circle. 11.35 Paper Lads. 1.25 pm News and Road and Report. 1.30 Houseparty. 2.00 Summer Afternoon. 2.25 Disappearing World. 3.20 Golf—Scottish Professional Golf Association Championship. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Laverne and Shirley. 8.00 The Incredible Hulk. 10.30 Golf Highlights. 11.00 Late Call. 11.05 House of Horrors: "The Curse of Frankenstein."

SOUTHERN

10.20 am Adventures in Rainbow Country. 10.40 Tell Me Why. 11.05 Magic Circle. 11.30 Paper Lads. 1.20 pm Southern News. 1.30 Those Wonderful TV Times. 2.00 Women Only. †2.25 Friday Matinee: "Notorious," starring Cary Grant. 5.15 Weekend. 5.20 Crossroads. 6.00 Day by Day. 6.00 Scene South East. 6.30 The Cuckoo Waltz. 8.00 The Incredible Hulk. 10.30 Southern News Extra. 10.35 Friday Horror Film: "The Creeping Flesh," starring Peter Cushing.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.20 Tarzan. 11.10 Magic Circle. 11.35 The Secret Lives of Waldo Kitty. 1.20 pm North East News and Lookaround. 1.30 Father Dear Father. 2.00 Afternoon in Action. †2.25 Friday Film Matinee: "Sleeping Car to Trieste." 5.15 Gambit. 6.00 Northern Life. 8.00 The Incredible Hulk. 10.30 Sportstime. 11.00 The Friday Film: "Erousamo. 12.35 am Epilogue.

ULSTER

10.20 am The Lost Islands. 10.40 Tell Me Why. 11.05 Magic Circle. 11.30 Paper Lads. 1.20 pm Lunchtime. 1.30 The Story of Wine. 1.55 The Electric Theatre Show. 2.25 Friday Film Matinee: "Sink the Bismark." 4.13 Ulster News Headlines. 5.15 The Flintstones. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 6.50 Police Six. 8.00 The Incredible Hulk. 11.30 Bedtime.

WESTWARD

10.20 am Classical Fairy Tales. 10.40 Tell Me Why. 11.05 Magic Circle. 11.30 Paper Lads. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 1.30 Beryl's Lot. 2.00 Summer Afternoon. 2.25 The Friday Matinee: "The Sheriff of Fractured Jaw." 5.15 Friends of Man. 6.00 Westward Diary and Sports Desk. 7.30 Miss Westward. 8.00 The Incredible Hulk. 10.28 Westward Late News. 10.30 The Selling of the Sea. 11.25 Mystery Movie: McCloud. 12.45 am Faith for Life.

YORKSHIRE

10.20 am Tarzan. 11.10 The White Stone. 11.35 The Adventures of Muhammad Ali. 1.20 pm Calendar. 1.30 Houseparty. 2.00 Summer Afternoon. †2.25 Friday Film Matinee: "Sleeping Car To Trieste." 4.10 Cartoon Time. 5.15 Calendar Sport. 6.00 Calendar (Emley Moor and Belmont editions). 7.30 Bless This House. 8.00 The Incredible Hulk. 11.30 International Speedway.

RADIO 1 247m

(S) Stereophonic broadcast.
‡ Medium Wave.

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.00 Peter Powell with the Radio 1 Roadshow from Barry Island. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Tony Blackburn. 4.31 Kid Jensen. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (s). 12.00-2.02 am As Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (s) including 6.15 Pause for Thought. 7.32 Terry Wogan (s) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (s). 12.15 pm Waggoners' Walk. 12.30 Harry Rowell's Open House (s) including 1.45 Sports Desk. 2.30 David Hamilton (s) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (s) including 5.45 Sports Desk and 6.02 Cross-Channel Motoring information. 6.45 Sports Desk. 7.02 Sequence Time at the Radio 2 Ballroom (s), including 7.30 Sports Desk. 8.02 John Fox conducts the BBC Radio Orchestra (s). 8.45 Friday Night is Music Night (s). 9.55 Sports Desk. 10.02 Games People Play. 10.30 Let's Go Latin with Ronnie Hazlehurst Satin Latin. 11.02 Sports Desk. 11.15 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

†6.55 am Weather. 7.00 News. 7.05 Overture (s). 8.00 News. 8.05 Morning Concert (s). 9.00 News. 9.05 This Week's Composer: Rachmaninov (s). 9.40 Young Artists Recital (s). 10.05 Children's Concert (s). 11.05 Dowland and Dodgson Clavichord and harpsichord recital (s). 12.15 pm BBC Northern Symphony Orchestra part 1 (s). 1.00 News. 1.05 Playbill (s). 1.20 BBC Northern Symphony Orchestra part 2 (s). 2.00 "El Cimarron" recital for four musicians by Hans Werner Henze, part 1 (s). 2.55 Interval Reading. 3.00 "El Cimarron," part 2. 3.55 Music Making from Birmingham (s). 4.45 The Young Idea (s). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Life-lines: Leisure and Recreation. 7.30 Proms 78, part 1: Debussy, Berkeley (s). 8.30 Misunderstanding Jung. 8.50 Proms 78, part 2: Beethoven (s). 9.40 Andrew Marvell (reading from his poems). 10.15 Mitsuko Shirai, song recital (s). 11.00 Musicians Talking. 11.45 News. 11.50-11.55 Tonight's Schubert Song.

Radio 3 VHF only—6.00-7.00 am and 5.45-7.30 pm Open University.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today, including 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 8.45 Hard Times (s). 9.00 News. 9.05 Local Time. 9.35 The Life and Times of the Piano (s). 10.00 News. 10.05 Let's Get This Settled. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 The Enigma of Anrew Marvell. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (s). 12.55 Weather, programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour from Bristol, including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 4.00 News. 4.05 Little Welsh Beauties. 4.35 Story Time. 5.00 PM Reports. 5.40 Enquire Within. 5.55 Weather, programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (s). 8.20 Profile. 8.30 Many Reasons Why. 9.15 Letter from America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 A Little Night Exposure (s). 10.55 Nightcap. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sports Desk. 6.35 Good Fishing. 7.00 Rocks Off! 7.30 Black Londoners. 8.30 Track Record. 10.00 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

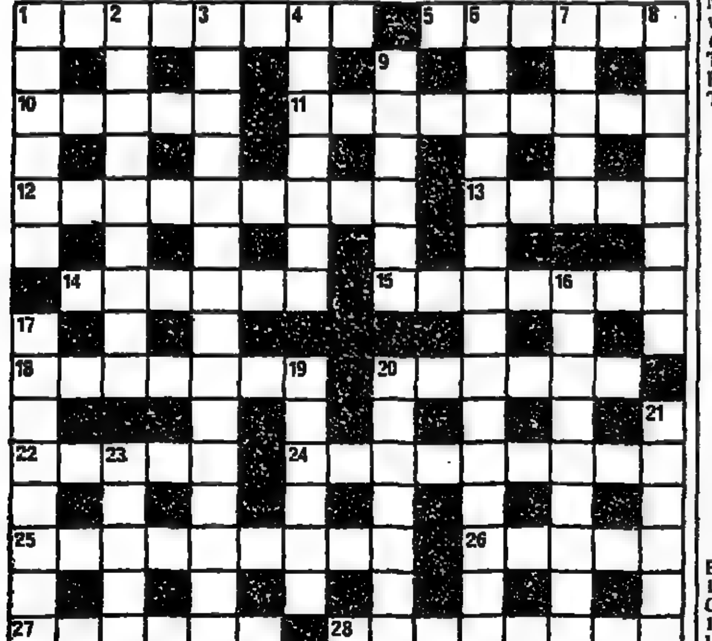
5.00 am Morning Music. 6.00 A.M.: with Bob Holness. 10.30 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 Graham Dene's Breakfast Show (s). 12.00 Dave Cash (s). 3.00 pm Peter Young (s). 7.00 London Today (s). 7.30 Adrian Love's Open Line (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (s). 11.00 Tony Myatt's Late Show (s). 2.00 Ian Davidson's London Link International (s).

F.T. CROSSWORD PUZZLE No. 3,748



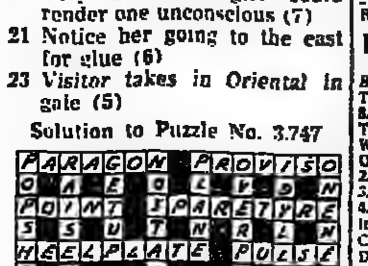
ACROSS

1 Good French about right for this south-coast resort (8)
5 Dismounted and escaped punishment (3, 3)
10 Artefact found in barrel I collected (5)
11 Feel hurt about having to work steadily outside before long (9)
12 Planner possibly or a singer (9)
13 Rough monarch in a mess (5)
14 Flogged? Yes and fled outside! (6)
15 To walk like a duck after troop leader could be nonsense (7)
18 Airmen's ceremonial tribute to insect ended (3, 4)
20 Box going to the south-east is in short supply (6)
22 Keen to sound like a bore (5)
24 Bullet going to chief old soldier (9)
25 Repeating it with eastern food supply (9)
26 Sufficient for a politician with the French following (5)
27 Collect gun going to female (6)
28 Soft substitute in a jam (8)

DOWN

1 Carrier for a vicar in Bow (6)
2 Sick for example with friend in an unlawful manner (9)
3 Bearing from London Borough vehicle (7-8)
4 Resisted work and took up a stance (7)
6 Completely submerged in general business expenses and receiver is put in (4, 4, 3, 4)
7 Carnivore would be warmer if supplied with gas at first (5)
8 Move swiftly and turn like soldiers—it should counteract the driving force (8)
9 Animal with paws round vicar (6)
16 Disease common to painters (9)
17 Gift of iron hoop (8)
19 Go to bed with Pole in Italian city (4, 2)
20 Very attractive girl could render one unconscious (7)
21 Notice her going to the east for glue (6)
23 Visitor takes in Oriental in gale (5)

Solution to Puzzle No. 3,747



ENTERTAINMENT GUIDE

CC. These theatres accept certain credit cards by telephone or at the Box Office.

OPERA & BALLET

[illegible]

THEATRES

[illegible]

THEATRES

[illegible]

CINEMAS

[illegible]

Cinema

Down with the Dog Days by GEOFF BROWN

Backroads/The Love Letters from Teralba Road. Scala.
Between the Lines (AA). Screen on the Hill.
Beauty and the Beast (U). Classic Oxford Street.

No-one seems to have been trying very hard this week. The distributors are enjoying the summer lull, with no major films to push out. Us critics have tottered around London from films of modest virtues to films of immodest vices, encouraged on our way by an unusually large amount of profferred quiche, sausages on sticks and glistening glasses of red or white. And the projectionists have been trying least of all. An opening reel was wrongly projected with a wide screen lens, transforming people into Billy Bunters: even when the lens was removed the correct screen ratio didn't materialise for another 20 minutes. At another screening the projectionist caved into the prevailing lassitude and never turned up at all; another viewing theatre had to be hired and the band of scribes slowly transferred. It was not my idea of a happy working schedule.

The film which almost made it all worth while was *Backroads*, an hour-long Australian production showing at the Scala with another Australian item, *The Love Letters from Teralba Road*. Films like Peter Weir's *The Last Wave* have prompted melancholy reflections on the way the Australian cinema has gained critical approval and bigger budgets only to lose its vigour and imagination. But the directors of these examples — Phillip Noyce and Stephen Wallace — have yet to step into the major league and have never had the time or the money to over-reach themselves. Like *The Last Wave*, Aborigines are a key factor in the drama of *Backroads*. But where Peter Weir used them as a fashionable centre-piece in a pretentious apocalyptic fable, Phillip Noyce looks simply and honestly at their feelings of apathy, bitterness and isolation, living in listlessness and squalor after years of mishandling and neglect by their white overlords. The only way for them to break out of their lethargy is to lead a slap-happy life of crime: this is what Gary does, in the company of a raucous white drifter called Jack King. Together they rob cars, clothing stores, petrol stations and, once equipped, embark on an aimless odyssey across the country. Others join them: a French bitch-biker Jean-Claude, a lonely girl from a petrol station, and Gary's Uncle Joe, who drinks heavily and cuts a mean figure when holding a shotgun. After much boozing, bickering and foul language, they reach the sea. The girl steals their car; they try to steal another one, but violence erupts and the police bring their journey — and the film — to an end.

The film's focus on the Aborigines' problem is refreshingly clear. Gary is played by black activist Gary Foley, and the character of Jack King is a walking incarnation of the white man's oppressive prejudices. "While you're here, enjoy my country, will you?" says Gary with deep irony as the French biker is ejected from the car, after suffering King's acid taunts.

But the film makes plain that the country is only his in theory and the history books. The country also looks anything but enjoyable, for Russell Boyd's photography emphasises its dusty wastes and scrub, as the car speeds along mindlessly. Noyce, whose earlier film, *Newsfront*, has received much favourable comment, keeps his style as direct and piercing as the material; apart from some needlessly fancy cutting back and forth in the travelling car between simultaneous conversations.

The companion film, *The Love Letters from Teralba Road*, written and directed by Stephen Wallace, runs for 50 minutes and is a lesser achievement, though it's still a distinctive and disturbing piece of work. The love letters (selections from which are read out on the soundtrack) describe the passionate feelings of Len Moran, currently estranged from his wife Barbara after many violent quarrels and now seeking a reunion. He comes to Sydney to talk things over: the wife is hesitant, for the man who writes the letters is gentle and compassionate while the *man in person* is too often violent and overpowering. Nothing is resolved in this sad state of affairs, and the film is left slightly stunted as a result. Yet the director's meandering *manner* usefully enables the camera to take in much telling detail about sordid, claustrophobic living conditions which put extra pressure on the relationships.

*

Between the Lines is the new film by Joan Micklin Silver, director of the slight but accomplished *Hester Street*, that black-and-white portrait of New York ghetto life at the end of the 19th century. Her subject, in a way, is still communities and the *community spirit*, but she has moved up to date and up the Eastern seaboard to Boston, where a group of young journalists are struggling to keep afloat their newspaper the Back Bay *Mainline*, along with their own crusading spirit, in the face of a take-over from a commercial conglomerate. The script is written by Fred Barron, a reporter with Boston experience who obviously made ample use of it in the film. There is certainly nothing wrong with the way the *Mainline* offices look (as any visitor to the old kingdom of *Time Out* magazine at King's Cross could testify). The rooms are fairly humming with gaudy decor, malfunctioning coffee machines, peculiar pictures stuck up on filing cabinets, people sleeping under pinball machines. And the personal advertisement that eager greenhorn David (Bruno Kirby) takes down over the phone has exactly the right bizarre note—an advertisement from someone frantically seeking friendship with a person exceptionally endowed with body hair, particularly on the arms.

But it is the characters who stick in one's gullet and make the film as a whole impossible to swallow. Both writer and director, like doting parents, plainly think the world of them, even the egregiously smug Michael, who has had what sounds like a ghastly book about the moods of contemporary society accepted for publication. Yet from my seat in the stalls the best of the characters seemed dull and the worst were extremely irritating: and the fact that the film-makers were turning a blind eye made them more irritating than ever, chattering away glibly to each other and performing bits of business clearly designed to ingratiate. Without any distance between the creators and their creations, the world of the film appears shallow, the characters jejune, with only the talents of the performers (chiefly John Heard and Lindsay Crouse) heading off unreality.

*

The week's crowning indignity is provided by *Beauty and the Beast*, a remake of Jean Cocteau's wonderful film of 1945, with all its magic, humour and visual panache removed and weak-kneed whimsy inserted in its place. This foolish task was performed two years ago on English locations (including Knebworth and Sudeley Castle) by the American director Fielder Cook, whose previous work (*Prudence and the Pill*, *How to Save a Marriage—And Ruin Your Life*) hardly prepared him for a full-blooded fantasy. The Beast himself is played by George C. Scott, his strong features clearly poking through the make-up men's bristling mane and beard, tortuous skin, fulsome snout and attendant tusks. So disguised, he acts mostly with his eyes, which frequently assume a fetching woebegone look to indicate the unplumbed depths of sadness behind them. Beauty is Trish Van Devere, beautiful indeed, though her American accent grates with the native inflexions of others in her nasty, avaricious family (Bernard Lee, Virginia McKenna). And once she becomes charmed by the courtly ways of the Beast, graciously keeping her prisoner in his Castle until she releases him from his disfiguring spell with the power of love, she is asked to perform an inordinate amount of winsome smiling, guaranteed to set anyone's teeth on edge for several hours. The film should be taken off and replaced by *La Belle et la Bête* immediately.

A scene from '... Lines'

Harold Cambridge, Mark Wingett and Paul Grant — *Leonard Burt*

Shaw

England, My Own by MICHAEL COVENEY

Seventy lads in white shirts and black ties bellowing "Jerusalem" on a setting of bleak council flat concrete is the opening image of Peter Terson's latest epic for the National Youth Theatre. A portly insurance collector cuts across the jingoistic cacophony with his tale of a dream of fair Anglo-Saxon Protestants once more pounding the green and pleasant. He is both our guide and commentator on the absorption of one Adam Butler into the cloud cuckoo-land of the National Front. He resembles Martin Webster and talks with the sing-song persuasiveness of Enoch Powell.

Adam is presented as the archetypal victim of pink schoolteachers, devious workmates on the factory floor and Borstal bullies. He is a nice lad—very personable in Mark Wingett's spring-heeled performance—whose open-eyed acceptance of his lot in a vigorously mixed society turns, somewhat unconvincingly, into outright rejection. The insurance man, James Duncan (Ian Kearney), comes acros as a suburban Arturo Ui, kitting up Adama and two of his Borstal chums in brown shirts, black boots and hidden pockets with the hilarious suggestion that he runs an organisation "whose whole purpose is to protect grandmothers." This, after Adam's fragile grandma has been mugged, offstage, by a gang of black thugs.

Although the production, by Michael Croft and Graham Chinn, marshals the action with impressive fluency and typical Youth Theatre panache, there is a yawning dramatic gulf between the bald statements of Adam's case and the actual documentation of cause and effect. It is never quite clear, for instance, whether Mr. Terson is more interested in examining seriously the appeal of the National Front in a specific geographic location or in ridiculing the whole business.

In the end, he settles for sounding a hollow note of liberal warning, as Adam is killed in a carnival rush he has intrepidly entered under a huge banner. Once more the serried ranks emerge to chant "Land of Hope and Glory," their noise submerged by a steel band and blured by flashing lights. For the rest, there is a succession of domestic sceenst o highlight Duncan's battle with a son in advertising and a pregnant daughter won over to the extreme Left.

American television

Fresh air at last by FRANK LIPSIUS

Until two years ago, the most predictable aspect of American television was not so much the plots of the situation comedies (predictable as they were) as the dominance of the ratings by CBS, followed in turn by NBC and ABC. When a former CBS employee, Fred Silverman, put ABC on top by capturing the imaginations—and the evening hours—of the American counterpart to football match hooligans, a new ratings war developed that was more interesting than the programmes.

Papers and magazines accused CBS of being too complacent and dominated by its founder, William Paley, whose instincts, at 76, were no longer in tune with the generations he weaned on television. ABC, as the underdog, was applauded for its success while being justly accused of insulting the lowest common denominator of intelligence in the country. Programmes like *Happy Days* and *Welcome Back, Kotter* celebrate the benign side of teenage obstreperousness; *Charlie's Angels* gets as close to prime-time pornography as battered standards allow. In its heyday, CBS was considered the Tiffany of the networks, mixing its anodyne situation comedies with a top-flight news bureau, as something of a gesture of noblesse oblige. As so often happens, when the despot was overthrown, the celebration lasted until the new despot showed his pearly teeth.

During the summer, the losing networks, which now include CBS, lick their wounds and plot the strategy that will put them back on top. In June, Silverman moved from ABC to third-ranked NBC, with a million-dollar-a-year salary and the daunting task of tackling his own success.

All the networks play the extremely expensive game of testing out new programmes and CBS in particular has wisely used its exorbitant profits in the past to help it now. It is sinking millions of dollars in testing programmes it hopes will be even more fatuous and popular than ABC's.

CBS does its market research in New York City, handing out free tickets in front of corporate headquarters (seemingly much less scientific a procedure than rating agencies claim to provide). Supposedly a show goes before 600 to a thousand participants, but the day I went, only eight people were willing to sit around a conference table to watch "You and Me," a situation comedy about a young couple.

Chronically unemployed, the young man wears a chicken costume to advertise a fast-food restaurant. His wife notices an ad in the paper for a joke writer for a local evening newscast. He gets the job with inane comments on fabricated, inane news stories (an item about a steam engine that presses a man's clothes as he drives is the only one I recall).

Each of us was given two buttons to register approval and disapproval during the programme. Afterwards we were given a questionnaire we filled out anonymously but with our ages and education indicated. We marked our degree of sympathy for each character and our preference between this programme and competitors on other networks. A young lady then asked several people to discuss the show, and their comments must have shocked her as much as they did me. One man dismissed it as rubbish. A bar owner from Oklahoma said she would lose customers if she left it on in her bar. Had Mr. Paley been listening that afternoon, he probably would have ordered a whole new programming department or sold his stock by morning.

Fred Silverman seems to have decided on a dramatic volte face at NBC. He informed production companies that he does not want any emphasis on sex and he has already cancelled shows with that orientation (most of them imitations of his work at ABC). These moves have been such a surprise that there is speculation he will take the network in a new direction altogether. Rather than compete head-on, it is thought he may try to put some quality into his programming and make a respectable income from shows with smaller audiences but more prestige. Rich conglomerates already support public broadcasting and no doubt realise it is a cheap way to reach the more discerning customers.

An indication of NBC's new direction comes from a recent pre-season premier, one that was planned before Silverman's arrival but was allowed to appear on schedule. It is a daily lunch-time network show, going to 185 stations around the country to compete with CBS's domination of the rating with soap operas.

Called "America Alive," it revolves around Jack Linkletter in a New York studio that looks like a spacious split-level house perched among the surrounding skyscraper towers. Co-hosts in California and around the country come in on live remote pick-up. At a preview run for the Press, the show's producer, Woody Fraser, emphasised the show's pursuit of topicality—not yesterday's star or the day before yesterday's. John Travolta is already passe: today it has to be Warren Beatty. And so he put his production budget into remote pick-ups to follow the stars and the stories wherever they are.

In addition the show will provide regular features, including a media critic and a bi-weekly segment by the sexologists, Masters and Johnson (talking on subjects like infertility). The media critic, David Sheehan was willing to call *Jaws 2* about as interesting as watching your sunburn peel. David Horowitz as the regular consumer critic came right out and recommended Rayovac batteries over the heavily advertised Duracell ones. It is not revolutionary fare, but it is a welcome change, especially if it is a harbinger of more pervasive change come autumn.

Elizabeth Hall

More Schubert by ARTHUR JACOBS

The absence of its best-known stars did not bar the South Bank's "mainly Schubert" festival from reaching a very high level of distinction last night. Indeed, for a subtle, perfectly felt and entirely convincing performance of a little-known work, the approach of Shlomo Mintz and Yefim Bronfman to Schubert's violin and piano sonata in A minor (D.315) could hardly have been bettered.

Performing it more slowly and with more sense of relaxation than I had expected, they were able to give musical value to little phrases and to individual notes within what might have otherwise passed merely as a vigorous "run." At the very end, where the composer's marking is not too definite, their hushed coda made a touching farewell.

Throughout, the sense of partnership (both artists, as it happens, are Soviet-Israeli) was impressive. Exactly as I once heard Isaac Stern urge on students, each player had entered the other's world — Mr. Mintz's violin matching the percussive attack of the piano, Mr. Bronfman's piano "singing" like a stringed instrument when their two melodies intertwined.

Something of the same relaxed approach to Schubert entered into the interpretation, by Mr. Bronfman and Joseph Kalichstein, of the Fantasy in F minor for piano duet. It did not succeed quite as well. There are places where a more athletic stride and more excitement are needed in order to realise the contrasts and interconnections in this long and masterly work. Nevertheless, this was always a musically alert performance—and deserved a better piano (especially in the top register) than the hall provided.

Finally, in Schubert's well-known Piano Trio in B flat, Mr. Mintz and Mr. Bronfman were joined by Yo Yo Ma. Of Chinese origin but born and educated in France, he is a cellist of the highest artistic gifts. His instrument sings even in *pizzicato*, his phrasing is expressive to the point of risk-taking. His and the violinist's dovetailing of the music was one of the joys of this performance.

Discounting a few small errors of rhythm, I relished their whole treatment of the Trio. (The oddly banal passages which Schubert allows in his finale must just be put up with, for the sake of the rest.) Afterwards, if chamber-music audiences were given to storming, stamping and yelling like opera audiences, this would have been one of those occasions. The same four young musicians may be assured of a welcome return next Tuesday.

Albert Hall/Radio 3

BBC Symphony by DAVID MURRAY

Another slightly incoherent Prom programme last night, with one substantial success: Thomas Hemsley's commanding performance of the six *Monologe* set by Frank Martin from Hofmannsthal's famous Salzburg play, *Jedermann*. The Austrian "Everyman" is not so famous that the audience would not have welcomed a sketch of the linking action between the monologues, though the general dramatic plan can be guessed; the programme book gave only the sung texts and a musicological note. On paper, these fearful doubts and pleas look awkwardly snipped from their contexts, and Martin treated them with such selfless respect as to allow his music no independent voice beyond the words—no orchestral peroration, no added commentary. The scansion is strictly observed, with no more liberties than a classical actor would take.

That sedulous fixing of limits was entirely characteristic of Martin, and a performer of Hemsley's forceful intelligence need not feel any constriction in them. The pieces lie very well for his baritone, which carries splendidly through the hall, and he supplied sense and shape to the cycle with unwavering conviction. To great a variety of histrionic colour would have been misplaced, and instead Hemsley drew upon his declamatory resources: the exact placing of a word, a suggestion of ironic parentheses around a phrase, an astute contrast of levels between self-communing and resolute appeals. With all this, the effect of painful directness was consistent, and the audience was held silent to the end.

This fine and sobering work was conducted by Walter Susskind, who maintained a steady radiance in the orchestral accompaniment. Earlier he presented Mozart's 39th Symphony in a workmanlike way; it was graced with woodwind playing of considerable delicacy, rose to an Andante of real distinction, touched in with grave tenderness, and subsided with an Allegro brightened by no touch of wit. Shostakovich's precociously assured First Sympony had a comparably one-sided performance, its jokes unpointed and the tempo-changes of the Finale struck with some grinding of gears. The gears ground painfully in *A Night on Bare Mountain*, too—Mussorgsky's original, not the familiar Rimsky-Korsakov version (which ought really to be titled "Fantasy on Themes from Mussorgsky"), but Mr. Susskind should not be blamed: rudely pungent though the score is, its fitful continuity sets severe problems. It still exudes something wilder and stranger than Rimsky's refined nose could tolerate, or perhaps even detect: all praise to Mr. Susskind for reviving it.

Australian play at Riverside

The one-man Australian play *The Bastard From The Bush*, written by Rodney Fisher and Robin Ramsay, will be given four performances at Riverside Studios, Hammersmith, on September 10, 17, 24 and October at 5 p.m.

The Bastard From The Bush features Robin Ramsay's portrayal of the writer Henry Lawson. It was first performed in September, 1977, at Melbourne's Russell Street Theatre.

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The struggle for control

THE ACCELERATION of the growth of the broadly-defined money supply in June — the rise of £520m was almost as much as in the previous two months together — despite continued Government success in funding its own borrowing, and the threat of penalties on the banks under the corset regulations, must be read as a warning signal, though not at this stage as an alarm bell. Private sector demand for finance is now clearly running well ahead of official expectations when the monetary targets were settled in April, and unless it abates the authorities as well as the banks will have a struggle on their hands.

Clear signal

The Bank of England clearly signalled its concern by its announcement that the corset regulations themselves, which have up to now been regarded as a short-term measure, will be extended for a full year. The limits look at first sight rather more relaxed, but this is an illusion: the very tight restrictions set for the initial period were intended to allow for the unwinding of essentially window-dressing transactions by the banks: but in the longer haul the growth of liabilities can only be restricted by a careful eye on the growth of lending. The authorities have had to sacrifice one of their central long-term objectives, competition between the banks, to impose on each bank an individual growth limit. We are in a sense half way back to quantitative controls.

This extension of the regulations, coupled with the official refusal to make a cut in minimum lending rate which the market was half expecting, is the true indication of the official mind. The seemingly contradictory action to relieve shortages in the money markets and the recent release of special deposits are not a sign of any policy relaxation, but simply necessary moves to relieve technical pressures which were becoming virtually unmanageable, especially for the clearing banks.

It seems to be a result of very tight conditions which have put the clearing banks into such a difficult position. The result of a reserve asset squeeze and a shortage of official debt instruments is to drive up inter-bank rates, and divert borrowing towards the clearing banks.

It has required not only a release of special deposits and a resumed inflow of foreign funds, but substantial money market assistance from the Bank of England to relieve these pressures and allow the distortions within the bank system to start unwinding themselves. The June figures, showing the clearing banks enjoying—or rather embarrassed by—the entire growth of private sector loan business, and reserve asset ratios near their historic low point, probably represent the peak of the distortions. The extension of the corset regulations will banish any lingering thought there may have been of hanging on to an increased market share and paying the appropriate penalty on supplementary special deposits for a time. The relief now available will only start the process of getting the clearing banks back within their limits. The squeeze will inhibit lending, and that is its intention.

Of course, another counterpart of a resumed foreign inflow is a relative modest figure for domestic credit expansion: excess Government funding has offset most of the continued rise in bank lending, and it is the foreign inflow which has added to the money supply. It may be thought that if DCE is well within its limits, and sterling remains strong, there is little need to worry about the money supply itself.

This is not so in present circumstances. Since the private sector acquired some £400m of sterling from its sales of foreign currency, one might have expected some fall in loan demand; instead, it continued at a rate which suggests an annual total of perhaps £7bn. The causes may be temporary but vigilance cannot relax until this is shown to be so. To ask Government funding to continue to offset lending at this rate wuold overburden the markets.

Confusion

The non-bank observer may still be confused by talk of falling interest rates at a time when the authorities are trying to squeeze lending. Past experience would suggest a sharp rise in rates. The explanation lies in the weakness of the dollar. A rise in rates would simply attract bigger inflows, it is thought. That is why the corset system, for all its distortions and suppression of competition, is thought to be the appropriate weapon in the existing official armoury to check an unexpectedly high demand for private sector loans. Within the existing rules, this judgment looks right; but the extraordinary confusion of recent weeks only underlines the case for a fresh look at the rules themselves. The cost in uncertainty, and in the burden of debt service, looks excessive.

For whom the bridge tolls

IT IS proper, but rather beside the point, for the Public Accounts Committee to criticise the Department of Transport for having let itself be influenced by "substantially inaccurate" traffic forecasts when it authorised the building of the Humber suspension bridge nine years ago, a project which was expected to be both costly and self-financing. If cold economic calculation had been the sole criterion, the bridge would not have gone ahead. As the committee members well know, the dominant consideration for the then Labour Government in 1969 was the contribution it believed the bridge would make to Humberside's future industrial development, together with the fact that a personal commitment had been made to the bridge by Mrs. Barbara Castle as Minister of Transport in the critical Hull North by-election shortly before the 1966 general election.

Assumptions

The PAC has a valid point, nonetheless. For the Ministry of Transport did make some calculations of traffic, revenue, and costs—in 1968—and these were closely in line with the figures subsequently submitted by the consultants to the Humber Bridge Board. It was on this basis that Parliament was assured of the project's financial viability in the sense that toll revenue was expected to be sufficient to allow the loan financing to be repaid over a 25-year period. The subsequent five-fold rise in oil prices and the slowdown in population growth could not of course have then been foreseen. But it is certainly not these factors alone that have brought the traffic estimates tumbling down from the 24,000 vehicles a day originally foreseen to the 13,000 to 18,000 vehicles a day that was estimated in 1975.

According to Ministry officials, the bridge should still be financially viable, despite the much smaller expected traffic flow and despite its greatly increased capital cost. This however is on the assumption that the latest traffic projections are realised at the level of tolls proposed by the Humber Bridge Board for the project's expected opening next year. At 80p a crossing for cars £2.30 for light trucks, and £4.50 to £6.50 for heavy lorries, the tolls should be substantially below the savings users are likely to make in petrol costs alone. But they will be many times higher than the levels currently charged elsewhere.

One is not altogether surprised therefore that the Humber board should have joined the Mersey, Tyne, and Dartford tunnel authorities in pressing for an end to the toll system. It may seem unfair that expensive and potentially beneficial estuarial crossings for which there is no ready alternative should have been singled out for the toll system of financing whereas other major road projects (for which there are alternative routes and which have too many exits for tolls to be administratively feasible) have not. The procedure for adjusting toll levels, which was designed in an age of much lower inflation rates, may also be cumbersome.

But these arguments are not by themselves sufficiently compelling to justify a change in what is now well-established policy. If the level of tolls required to achieve financial viability at the Humber and other estuarial crossing places are in fact below the money savings that can be made by those who make the crossing, there seems no reason to depart from the principle of letting the user pay.

Food manufacturers in a two-way squeeze

BY DAVID CHURCHILL and CHRISTOPHER PARKES

IF HUSBANDS played fair with their wives' housekeeping money the food manufacturing industry would not be in the state it is today, with a static market, rising costs, and falling profit margins.

According to research carried out for the Food Manufacturers Federation, many husbands do not pass on the cost of living element in their pay rises to enable their wives' spending to match price rises. Earnings are at present rising twice as fast as prices, but the surplus is being spent on clothes and consumer durables rather than on food. This is borne out by the latest Government statistics on retail spending which show that although expenditure in food shops has risen slightly it was still a long way behind the rise in spending on consumer durables.

The figures show a 1.6 per cent real rise of spending on food in the last quarter, compared with a 4 per cent increase for consumer durables. On a 1971 base of 100, the index figure for the quantity of food being sold is 98.6, while that for consumer durables is 129.

Thus the food manufacturers, who traditionally rely on substantial volume growth to compensate for low margins, face bleak times.

This year Spillers has been forced to pull out of the bread industry, with the loss of 8,000 jobs, and J. Lyons, which had to sell off some of its hotel, catering, and overseas interests, earlier this year, is the object of a takeover bid from Allied Breweries.

Other companies and sectors are also in very real danger. Sir Hector Laing, chairman of the Food and Drinks Industries' Council and of United Biscuits, said this month. He argued that manufacturers' profit margins had been squeezed so badly that, for the industry to survive, food prices would have to rise by at least 3 per cent and probably by much more. Profitability, he added, was "on a slippery slope which is on the point of becoming a dangerous slide." Sir Hector backed up his comments about Britain's third largest industry (sales of over £16bn a year and employing more than 700,000 people) with the latest profitability survey of 31 food companies carried out by the Food and Drinks Industries' Council.

It showed that profit margins were only 2.34 per cent of sales for the first quarter of 1978. This was the lowest since early 1975—itself a poor quarter—almost two-thirds below their 1971 level of 6.5 per cent. Although the Food Manufacturers' Federation's own figures from a sample of 24 companies are less pessimistic — with margins around 4 per cent—the overall decline during the 1970s has been in the order of a third to a half.

The cumulative effect of years of reduced profitability has caused a substantial real cutback of capital expenditure. There has been little new fixed investment; even worn-out machinery has not always been replaced, and there is little scope in many companies for new more efficient machinery to reduce costs and improve profitability. The financial climate has led to a curtailment of innovation; stocks are reduced to a bare minimum, with the consequent risk of interruption to supply; and consumer choice is reduced as very low profit margin items and "own-label" business is scrapped.

The food manufacturers are in no doubt as to the cause of their problems. They argue that increased raw material prices, due to the adjustment to the EEC Common Agricultural Policy, has put extra pressure on margins because of the power of the large supermarket chains intent on fighting a High Street price war for market share. Without doubt the food manufacturers' anger is directed first and foremost at government price controls, which they believe are a political device carried out mainly at the expense of the food industry with little economic justification. "The

Sir Hector Laing: looking for at least 3 per cent on food prices.

continued bureaucratic and political influence designed to hold down prices artificially to satisfy the political aims of cheaper prices for the consumer, while at the same time pursuing policies in other directions having precisely the opposite effect, has starved industry of profits," Sir Hector complained.

The manufacturers' opposition is on two levels: price controls have blunted profitability by limiting necessary price rises; and they have had a psychological effect in reducing confidence among managers in their ability to operate effectively. There is little doubt (and on this there is some sympathy within the Price Commission) that the food industry has suffered from the controls. More than any other factor, a Government's economic success tends to be judged by the bulk of the population on its ability to keep food prices down.

Since the 1971 CBI price initiative the food manufacturers' ability to set profitable prices has been restrained. The present safeguard provisions, intended to ease the burden on companies under investigation by the Price Commission, are inadequate for the food industry, manufacturers argue. These safeguards are designed to be sufficient to stop a company going bankrupt, but with the volatile nature of food commodity prices—such as tea and coffee—they may not be enough to prevent a financial collapse. In any case, the manufacturers argue that price control hardly acts as an inducement to extra investment in the industry. What is more the effect on food prices of restraining the manufacturers' margins, has been negligible, the manufacturers claim. The rise of food commodity prices has, however, been effective indeed.

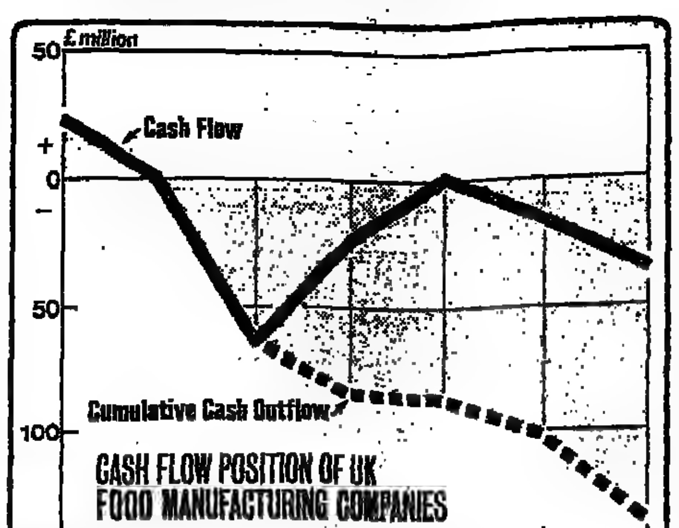
In its latest review of agricultural policy in the developed world the Organisation for Economic Co-operation and Development (OECD) said last week that the last ripples of the 1972-73 economic crisis had subsided and that 1977 was the last year in which its effects would be felt by primary food producers.

The swell from Britain's entry into the EEC on the other hand, is still rocking the food industry's boat. The impact of accession on raw food material costs has been chronicled to the point of tedium, but at least the dangers from that quarter have always been reasonably predictable and the easier to handle for that.

Now the Commission in Brussels is making some attempt to prevent the upwards spiral of common price levels for farm produce. The concentration of influential Britons in senior posts in Brussels—or at least the breaking of the French stranglehold—is evidently having an impact.

But food raw material prices in the UK are still a long way below the true common levels by virtue of the way the Government manipulates the exchange rate from notional units of account—in which farm prices are set—into real pounds.

At present the gap between the value of the "green pound" and sterling proper is wavering between 25 and 30 per cent. By way of illustration, the intervention price of butter in Britain is now £1,495 a tonne. If the gap were closed it would be about £1,900 a tonne. Other commodities would be affected similarly.



The food industry views this situation with some trepidation and is at present calculating how it is likely to be affected if the current talk of applying the European unit of account to farm prices ever gets off the ground. As things stand a Labour Government can be relied on to keep the gap open: But the uncertain approach of the Conservatives to agricultural policy suggests that there might be a rapid move to close it in the event of a Tory election win.

The food industry's continuing campaign against Community barriers which obstruct vital supplies from beyond the EEC's frontiers is closely linked to the relatively simple issue of basic commodity prices.

For example, it is argued in the UK that Canadian hard wheat used in the standard British loaf is a different product entirely from European grain and therefore should not be discriminated against with import charges. So far, the British argument has found no backers in Europe.

However, there have been some notable victories. One of the earliest fights, won with the aid of the Ministry of Agriculture, was against the EEC import duty of 4½ per cent on navy beans from Michigan. These are the main ingredient of British baked beans. The Community took some convincing that European-grown haricots could not be used in place of the U.S. beans, that the Michigan product therefore was not in competition with EEC beans, and that the import duty protected no one, serving only to increase UK processors' costs and retail prices.

Similar battles have been fought over imports of Portuguese tomato concentrate, the other key ingredient in baked beans.

Among other victories claimed by the Food Manufacturers' Federation is the dropping of a 12 per cent charge on imports of dates for processing—mainly into brown sauce. A 7 per cent duty on canned salmon for making into fish pastes and spreads has also been suspended, along with the 16 per cent tariff on dried peppers.

Most difficulties arise over Mediterranean zone products. For example the campaign is continuing for cutting duties on citrus for the manufacturing industry. "There is no way in which France and Italy can meet the Community's needs," the FMF claims.

And there is now a major drive to win a reduction in levies on imported rice and dehydrated vegetables—notably Egyptian onions.

Imports of rice

Britain buys 130,000 tonnes of rice a year. Half is round grain and used for puddings, baby foods and dessert mixes. The rest is long grain used as a vegetable. At present imports from outside the Community attract a levy of £142 a tonne—7p a pound at the consumers' end—on their way into Britain. For this reason traders attempt to buy as much as possible from Italy, where most EEC rice is grown.

The difficulty remains that the soft textured Italian rice does not meet the demands of the UK housewife or the UK food processor, and moreover Italy simply cannot produce enough to cover EEC needs. Therefore, the importers argue, levies at current levels cannot be justified.

The concessions won have brought considerable savings to the industry, although there is still irritation with the amount of time and management energy which have had to be spent on the negotiations. And there is no assurance that any of the changes can be considered permanent. At any time an aggrieved European Minister, prodded by an antagonistic lobby from his home country, might take issue with Britain over what are generally considered to constitute breaches of "Community preference."

But the manufacturers' real tactical battle to restore their margins is being fought with the supermarkets. The price war started by Tesco last year has been joined by all the major supermarket chains. This keenness to keep prices down to boost market share—a policy which appears to be working for the larger stores—has stopped manufacturers passing on cost increases to the retailers.

In addition, the major supermarkets—armed with larger marker shares—have been putting pressure on the manufacturers to increase discounts for bigger orders. The suppliers, eager to increase their own volume as the only way of improving profitability on low margins, have given in to this pressure in most cases.

The stronger the brand loyalty from consumers—as for Kelloggs cornflakes—the easier it is for manufacturers to resist demands for bigger discounts while at the same time maintaining sales volume. Hence the £100m plus spent on advertising food manufacturers' branded goods last year.

And last week the two big baking companies left after Spillers' withdrawal — Ranks Hovis McDougall and Associated British Foods—both showed their increase market power by cutting the discounts given to supermarkets. The effect was a price rise of about 1p a loaf.

Not surprisingly, the battle over discounts has prompted the attention of the Monopolies Commission which is carrying out a study into the whole issue. In the U.S. discounts for bulk orders unrelated to cost savings are already prohibited by law.

Manufacturers, however, are aware that the airing of their problems may not be popular. "If it is felt that these claims are the exaggerated bleatings of a wealthy industry, let me remind you of what was being said a few years ago about motor cars, motor cycles and ball bearings, among other industries," says Sir Hector. He points out that these industries were assumed to be in unassailable positions in their markets—both at home and overseas—and were now in decline. "The consequences of ignoring their appeals and warnings are now history."

MEN AND MATTERS

Light of the silvery moon

Latest moves to deport the Reverend Sun Syung Moon are causing heartsearching among some of Britain's top academics. Those who regularly attend conferences funded by Moon's Unification Church — 11 Nobel Prizewinners went along to the last one—have now been asked by Moon lieutenants to write testimonials for consideration by the Home Office.

In May, after bizarre allegations about Moon's relationship with the Korean Central Intelligence Agency, and his church's majority shareholding in the arms-manufacturing Tong Il Industries Corporation, a U.S. congressional committee announced plans to subpoena him. He promptly flew to London where he still is.

Moon's two-week visitor's permit has long since expired and he is now awaiting a decision on his appeal against the Home Office's refusal to extend it. So the voice of British academia could well prove crucial to his future. He appears to have made some good friends with his annual International Conference on the Unity of the Sciences (ICUS), costing him around $500,000 a time.

Among those who have supported the conferences is Professor Brian Josephson, 38-year-old Nobel Laureate Professor of Physics at Cambridge. Along with 40 scientists, philosophers and economists from all over the world he is quoted in a glossy booklet complimenting ICUS and Moon himself.

Josephson told me he could see nothing wrong with supporting conferences that happened to be organised by Moon: "I'm not convinced by the publicity in the newspapers against him." Other academics, notably the Regius Professor of Divinity at Cambridge, Geoffrey Lampe,

regard the conferences simply as a device to enhance the prestige of Moon's church.

Concerned to see both sides is Professor Reginald Jones, who holds the chair of Natural Philosophy at Aberdeen. He has attended all the ICUS conferences, although he was unaware of their connection with the Unification Church when he agreed to be co-chairman, with zoologist Kenneth Mellanby, of the first Moon-directed gathering in London, in 1974. Jones says he has always been impressed by the "incredibly competent organisation" behind the gatherings.

Jones thinks it would be "a problem" if the ICUS connections were being used to enhance the standing of the Unification Church. "If there has been misrepresentation, we should withdraw," said Jones, a one-time intelligence chief who wrote the recent bestseller Most Secret War. However, he has responded to the appeal to write a memorandum supporting Moon.

Last year Jones and his wife were taken on a tour of Moon churches in the Far East. Moon has been in Scotland recently to escape publicity in London, and Jones had long discussions with him. Moon proposed giving money to the divinity faculties at Oxford and Cambridge "having heard they were short of money."

The Unification Church reminds Jones of the Buchmanites who launched Moral Re-Armament. "Moon is also very anti-communist," he says. This may be an understatement. Moon funded "Project Watergate" which defended Richard Nixon up to and including the day of his resignation.

No Valentin card

Anyone who turns up next Monday evening at the Soviet embassy in Bonn, in the hope of receiving a genial glass of vodka, will be in for a shock. The ambassador, Valentin Falin, was smarting yesterday over what he calls "an irritating political joke." The joke, with a bitter sting, is an invitation distributed around the German capital to attend a reception next Monday on the "tenth anniversary of the crushing of counter-revolutionary forces in Czechoslovakia."

The invitation is well printed on card, with the Soviet hammer and sickle crest at the top. One recipient was Josh Moskau, the Bonn representative of the Canadian Broadcasting Corporation. He told me on the telephone: "It certainly looked authentic. When I rang up the embassy they were far from amused."

Moskau says there is speculation in some quarters in Bonn that the invitation was a clumsy attempt by an under-cover Soviet organisation to find out who are the Kremlin's true friends—the ones ready to celebrate the suppression of Dubcek's "Socialism with a human face."

Urn earnings

When the Queen visits the United Arab Emirates next year she may well find it a little curious to see so many ornamental Victorian plant pots adorning the scene. There are, for example, a dozen large reproduction jardineres in the Bahreini sports centre, which she is due to inspect.

The source of these mock-antique curiosities is a small village in Northamptonshire, where a company called Haddonstone has geared itself up to satisfy Arab fondness for such objects. The company has just received an order from the Sultan of Oman for 45 large urns, an Elizabethan jardiniere and an Italian jardiniere and a French urn. Haddonstone's managing director, Robert Barrow, says Arab companies frequently ask to buy his moulds. "But we always refuse."

Mixed brew

Some City wag has come up with a novel explanation for Allied's £60m bid for Lyons—there will be such a saving on stationery. Allied have Tetley beer and Lyons have Tetley tea-bags, so they would be able to share the same writing paper.

Good question

Here is another apocryphal example of how a good City man always manages to look omniscient.

Stockbroker: "I can offer you 100 000 XYZ at 120p. They look good to me."

Client: "What is the P/E multiple?"

Stockbroker: "If I told you that, you'd want 200,000."

Observer

Seeking a future for Concorde

By MICHAEL DONNE, Aerospace Correspondent

WITH BRITISH Airways having carried its 100,000th Concorde passenger, since it began supersonic services (with flights to Bahrain) in January 1976, and Air France about to expand its network with direct flights between Paris and Mexico City, the supersonic aircraft appears to have settled down well in the world's air transport system. There are regular transatlantic services between London and Paris at one end and Washington and New York at the other. British Airways also flies to Bahrain and Air France to Caracas, Dakar, and Rio de Janeiro.

Operationally, the aircraft has settled in well. The punctuality is good. Delays or cancellations are rare, and the passengers unanimously praise the convenience the greater speed provides, even if some of them are not quite so content with the cabin service, or with the cramped seating.

But it appears that supersonic civil aviation is here to stay. The big problem is turning it into a profitable sector of civil air transport as a whole, which in effect also means how to expand more widely the existing limited routes. Coupled with this there is the problem of what to do about the five aircraft remaining unsold of the original 16 production aircraft.

So far as British Airways itself is concerned, the key to the Concorde problem is utilisation—the number of hours flown every year by each of the five aricraft in its fleet. In 1977-78 the average annual utilisation per aircraft amounted to only 782 hours, which is the lowest of all the aircraft types flown by British Airways, the highest being the 4,437 hours a year flown by each of its Boeing 747 Jumbo jets, and nearly 2,500 hours by each Lockheed TriStar. Even BA's turbo-prop HS-748s, flying 1,868 hours, fly more than Concorde.

This low BA Concorde use stems from the limited number of routes on which it flies—only New York, Washington and Bahrain—and it accounts for the fact that British Airways last year lost £17m on Concorde operations, bringing to £25m the cumulative losses since the aircraft went into service in 1976. But it must also be stressed that in 1977-78, £15m of the loss was accounted for by depreciation, which BA is now setting at £15m a year for the entire fleet over a period of ten years, to cover the £155m original cost of buying five aircraft with spares and other support, such as a flight simulator.

The bid last December to extend services from Bahrain to Singapore, in conjunction with Singapore Airlines, was short-lived. Only three scheduled flights went through each way before the Malaysian Government stopped Concorde operations through its airspace en route to and from Singapore, on the grounds that the aircraft caused environmental problems.

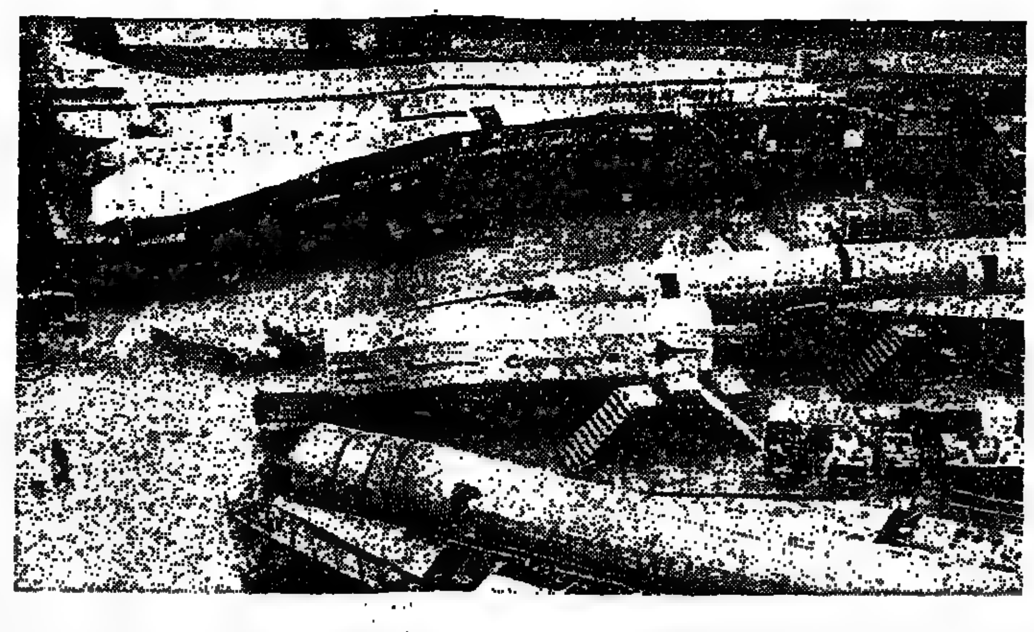
A resumption of services there, however, could do much to improve flagging utilisation figures. In adition to the direct improvement stemming from the flights to and from Singapore itself, there would be considerable aditional benefits, because once regularly serving Singapore, Concorde could fan out across the South East Asian and Far Eastern regions, with possible services to Hong Kong, Manila, Jakarta, Taiwan, and perhaps also eventually Tokyo and Korea.

In the meantime it seems as though it will be Braniff International of the U.S. that will be the next to fly Concorde. Under an interchange agreement with both BA and Air France, it intends to fly the aircraft from this autumn subsonically between Washington and Dallas/Fort Worth in Texas, providing one-stop through-aircraft services between the latter city and Europe, on six days a week, with three flights to London and three to Paris. The Washington-Dallas/Fort Worth sectors will use Braniff crews, with the transatlantic sectors being flown by BA and Air France crews.

The Braniff crews are now being trained by British Aerospace and Aerospatiale, and it is possible that Braniff may also eventually fly the Concorde supersonically on from Dalls/Fort Worth to other points on its network in Central and South America.

In adition, last December BA said it was interested in possible discussions with other airlines for joint supersonic services on a basis similar to that agreed with Singapore Airlines. Ideas then mooted included possible flights to Iran, Saudi Arabia, and Nigeria. So far, little has emerged from these ideas. Apart from Braniff, the only other currently serious Concorde interest seems to be a re-examination by Pan American of Concorde costs and operating data, but with no commitment yet by that airline either to buying or leasing the aircraft. It does seem that it is only by a persistent exploration of these possibilities that any extensive improvements to the Concorde route network will be achieved, although utilisation on the North Atlantic will probably rise steadily as BA increases frequencies to New York to meet growing demand.

Even if all these possibilities come to fruition, however, it is difficult to see how utilisation can be raised sufficiently in the near future to improve Concorde's overall financial role with British Airways.



What British Airways now appears anxious to achieve is some restructuring of its overall Concorde finances. A possibility that seems to be emerging is for the Government to buy back the five aircraft from BA, thereby relieving the airline of the depreciation charge, and then lease them to the airline for an indefinite period. On this basis, BA would be relieved of the burden of depreciation, and could show Concorde results in its balance sheet over the years in a considerably more favourable light. There is little doubt that a constant succession of annual reports announcing heavy losses on Concorde, even though much of the loss will be due to depreciation charges, will do the aircraft's image no good in world markets, and positively deter other airlines from buying and flying it.

With an overall investment by the two Governments of over £1.1bn in research, development and production of Concorde, there is a natural desire on the part of the Governments and of the manufacturers to see the aircraft succeed. Although not directly incurring any financial losses themselves on the programme, in which they were sub-contractors to the Governments, the two manufacturers, British Aerospace and Aerospatiale, none the less feel that to some extent their reputations as aircraft makers are at stake with Concorde. They tend to feel that the Governments and the airlines involved should do all they can to make the aircraft a success, even if that does require a reconsideration of the overall financing arrangements for the programme. The UK and French Governments' response to such an idea is not known.

In addition to British Airways' financial problem, there is the question of what to do about the remaining production aircraft coming off the assembly lines with no buyers in sight. Of the original 16, 14 were destined for airline service (the other two being used for flight development). Of those, nine have been delivered. BA took five and Air France four. Of the remaining five, three have been built: two are on the ground at Toulouse, and one at Filton. The two production aircraft left in final assembly, one each in Toulouse and Filton, will be completed within a few months.

It is the future of those remaining five production aircraft that the two Governments have to settle. It is still possible that some buyers may emerge. At one time, both Iran Air and China were interested. Their enthusiasm appears to have cooled in the past year or so, and there are no indications of an intent to buy from either, but the manufacturers have not given up hope, and are maintaining sales contacts. Some interest has been expressed in the Middle East, where various Arab airlines, including both Middle East Airlines, Alia of Jordan and Saudia of Saudi Arabia, have been discussing a Pan Arab airline operation linking the Middle East directly with New York. One possibility mentioned has been a "cannonball" type service with Concorde, supersonic from Beirut or Cairo or both along the Mediterranean to the French coast, then subsonic to either Toulouse or Paris for refuelling, and on non-stop again supersonically to New York. If these ideas materialise, there could be a market for one or two Concordes, but a leasing deal might stand more chance of success than attempts at an outright sale. Similarly, if Braniff's ideas of Concorde services onwards from Dallas/Fort Worth to Central and South America, come to fruition, and if Pan American does decide to join the "Concorde Club," leases seem more likely than purchases.

The suggestion is being mooted around the aerospace industries of both the UK and France that a joint Anglo-French Government-sponsored Concorde leasing organisation is worth considering. It would not only be responsible for the five aircraft as yet unsold, but also for the five aircraft sold to British Airways if a trade-back deal was negotiated with the U.K. Government. It might also eventually include the four aircraft owned and run by Air France, if that airline wanted to join. Such an organisation could sub-contract the overall maintenance and product support for all the Concordes during the next 15 years or so of airline service to the two manufacturers, British Aerospace and Aérospatiale, while it could also sub-contract to British Airways and Air France the rights to train Concorde crews and provide operational data and support for interested airlines.

The idea of a "Concorde Corporation" is not new. It was first raised some years ago, when Concorde was still being developed, and before there were any airline commitments for it, as a means of stimulating sales throughout the world. But the idea faded when both British Airways and Air France, under the urging of their Governments, bought the aircraft outright. At that time it was hoped that there would be further sales of the aircraft, so that the idea of leasing was not encouraged. Over the past two years, however, a more realistic assessment has shown that sales are more remote than ever, at a price per aircraft of about £30m, so that leasing by a Government-established and owned organisation now appears to many in British and French aviation to be the most sensible way of settling the problem.

Such a body could overcome much more than a Government-sponsored institution to look after a handful of first-generation Concordes. It could eventually provide the vehicle through which continued research into supersonic civil aviation could be conducted, and any eventual second-generation airliner developed.

It would provide a convenient method of tidying up the loose ends of what is clearly an untidy situation, and take the problem of what to do with the remaining aircraft off the Government's backs. It has clear support in the the aerospace industries on both sides of the Channel, and appears to be regarded favourably by British Airways, although that airline is more immediately concerned with settling its own financial problems with the aircraft. It is now up to one or other of the two Governments to take a lead.

Letters to the Editor

Japanese markets

From the Chairman, Newman Industries

Sir,—As an example of the significance of the problem facing this country in international marketing, may I expand on the point raised by Mr. Miyoshi (August 14) as to Japan's "national economic strategy."

It is quite true that Japan's strategy is no longer operating to promote exports in the accepted sense. The strategy is based on economic growth which is currently being achieved by the manufacturing and exporting of Japanese-designed products from a number of countries other than Japan.

An example of this was recently published in a trade journal in Japan wherein it cited a leading ceramics manufacturer in that country who had developed manufacturing operations in Sri Lanka, the Philippines and Ireland to the extent that the capacity of such units provideda very substantial part of the overseas business of that particular concern. In short, therefore, the exports from Japan have not risen because the Japanese businessman has created alternative resources in both developing and developed countries in order to expand his marketing strength.

Japanese strategy, helped by recent American policy, is now almost complete. In addition to supplementing their overseas trade by use of satellite manufacturing operations supported by external finance, they are now in a position to enjoy substantially increased invisible earnings from such investments and at the same time they are strengthening their indigenous economy through the revaluation of the yen.

American policy of increasing the cost to the consumer of Japanese imports is much too late to be effective in the way that it was intended. Similarly, joint venture/licensing opportunities in Japan are but one stage removed from development of satellite manufacturing operations taking advantage of such a grievance.

In short, therefore, that which is stated is correct. That which is omitted is far more significant.

Alan F. Bartlett,
Newman Industries,
Clifton Heights,
Triangle West, Bristol.

Revolutionised society

From Mr. E. Palamountain.

Sir,—It is not only the Organistaion for Economic Co-operation and Development paper on unemployment (Samuel Brittan's article of August 10) which has not so far received the attention it deserevs. This applies to thet whole problem of unemployment which Western economies face.

Approaches to this problem may be influanced to an alarming degree by the labels and categories which are used. Thus, if we adopt the OECD terminology of "capital shortage" unemployment, arising from levels of investment which we then describe as insufficient or excessively labour saving, we shall find ourselves encouraging the idea, already increasingly prevalent, that investment ought to be undertaken, or its character modified, simply in order to maximise employment; in other words, that the proper objective of economic policy is not to create wealth but to create jobs.

It is far from possible that political leaders will feel obliged to accept such a conclusion, however prejudicial to growth and living standrads it may be, and that Western economies will simply resign themselves to systematic overmanning, like the Chinese.

Otherwise there may just be no jobs for, say, a couple of million young people who leave school in the next few years without the skills which a scientifically revolutionised society will alone require.

Edgar Palamountain.
Three Quays, Tower Hill,
London, EC3.

Industrial innovation

From Mr. A. Robertson

Sir,—With all due respect to Dr. Charles Parker (Executive World, August 9) technological innovation is not just the province of engineers, it is a general management problem, demanding as it does the skilful synchronisation of invention, design, production and marketing.

As for developing "guidelines" for innovation managers, an attempt to do this was made at the Science Policy Research Unit, University of Sussex, between 1968 and 1974 under the auspices of the Science Research Council. In the first and second phases of Project SAPPHO (Scientific Activity Predictor from Patterns with Heuristic Origins) over 80 case histories were used in matched "comparison pairs," one success against a parellel failure or relative failure, using well over 100 variables which we considered might discriminate the one from the other.

The early results were published in 1971 in a report to the SRC and again in 1972 by the then Centre for the Study of Industrial Innovation (which was sponsored by the pharmaceutical industry) and later still in the journal *Research Policy*. At all times it was emphasised, however, that there is not and probably never can be a "recipe" for successful industrial innovation. Out of our research (under Professor Freeman at SPRU I was responsible for the first SAPPHO phase) emerged what might be described as a set of necessary conditions for success but not sufficient conditions, because innovation is both complex and dynamic and no set of circumstances will ever be reproduced identically. I should add that our cases were drawn from international sources, and that national characteristics did not appear to discriminate successes from failures.

We were unable to conclude anything about creativity, as it was not the object of our research to study the genesis of the innovation. Incidentally, your readers might like to know that what Dr. Parker used at Ferodo (not Turner and Newall as a whole) was "synectics," the brainstorming technique developed by J. J. Gordon, and not "synthetics."

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35 Marylebone Road, NW1.

The losses of direct labour

From the Head of Research Aims

Sir,—In complaining (August 9) that Aims has failed to give comparative figures for losses by building firms in its current criticisms of council direct labour building departments, Mr. Bob Bean, MP, confuses the issue.

The losses of direct labour (ie the excess of final cost over final valuation, not simply over the original estimate) have to be financed from rates, taxes, or council rents. This money is then not available to finance future work.

The losses of building contractors (ie the excess of final cost after receipt of all contractual payments due) fall on the firms. While these particular firms will be able to finance less work in future, they will run down and profitable firms will be able to expand to take up that work.

Eventually the loss-makers may go bankrupt. Direct labour departments do not go bankrupt. Their losses continue and are met from public subsidy. Thus rates, taxes and/or rents are higher than they need be; building costs are higher; and the money is not available to provide other houses, schools, etc.

Mr. Bean refers to extra payments made to contractors by Greater London Council in a period of rapid and great inflation. Where these payments were not provided for in a contract, I gather that the Council made them because it was decided that it was in the Council's interest to do so in order that work could be completed. The Council recognised the special circumstances, outside the builders' control, caused by inflation.

Bankruptcies are an additional problem. It should be noted that they represent a small cost in the total of building activity. They are the price of progress in moving resources from the less efficient to the more efficient — except in the case of direct labour, where subsidy succours the less efficient at the expense of greater efficiency. Giving work to direct labour that could be offered to building firms does, of course, increase the possibility of some builders' bankruptcies. On the other hand, if a direct labour department is able to take over projects quickly, one must wonder at the cost of maintaining an organisation so obviously under-employed. Such under-employment (over-manning) is inflationary.

You report that GLC trade union representatives dispute the level of losses by the direct labour department. There is a frequent tendency in direct labour departments to say that all losses will disappear when departments' reasonable claims for extra costs are accepted. But in the case of the GLC, the auditor has said that experience over many years indicated that not more than 25 per cent of direct labour's claims would be likely to be accepted.

The evidence suggests that all advantage to the public lies in less rather than more use of direct labour departments in building.

Malcolm Hoppe,
Aims,
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Fetter Lane, EC4.

Aid for smaller companies

From the Director General, Computer Services Association

Sir,—Two matters appeared in your pages on August 9, the first relating to the National Enterprise Board/clearing bank aid for smaller companies and the second recording Frank Chapple's call for releasing the communications device market from the Post Office monopoly. They are of course related. Implementation of the latter will result in the call for better methods of financing smaller companies.

As far as the Post Office monopoly is concerned there can be no question that entry by the private manufacturing sector into this market would increase choice, lower costs, provide and protect many jobs and generally encourage increased use of modern communications. There is no need to preclude the Post Office from participating in the market. It could compete with the private sector provided that it competes fairly, without advantage and at visible, accountable arms length. Indeed with the skills and resources, I would place it as a formidable competitor. The Post Office should, as now, lay down the technical specifications and standards to be complied with, and should set up a consultative mechanism with industry for this purpose.

The growth in the computing services market for data communications is already strong — over 20 per cent per annum. The demand for device connection arising from private sector sales stimulus will generate higher revenues for the Post Office in the use of the public switched telephone system, leased circuits and eventually data networking fees. I would guess that the result, for both Mr. Stanley's and Mr. Chapple's members would be employment and earnings prospects which are greatly enhanced.

Equally important however is yet another apparent move to find finance for smaller companies Evidence to the Wilson Committee has suggested that there is no shortage of funds for industry. That may be true. It has not much to do with obtaining them. An organisation which is established and making reasonable progress can usually find sources of finance although often on harsh terms — especially where high technology is involved.

The real shortage is of venture capital for new ventures. Previously the main source for this finance was private — often family. The taxation system has ensured the death of this source. It is very difficult for lenders to finance new ventures — speculation is for one's own money, not funds belonging to others.

The answer, in my view, is in a drastic revision of the taxation system with particular reference to allowances for investments lost. There must be motivation in taxation terms for people to invest and risk their own resources (which the banking system can then gear up) so that new ideas and smaller companies can flourish. More jobs will be one outcome. That is the target which Mr. Lever and others should be seeking.

Alan A. Benjamin.
Computer Services Association,
5th Floor, Hanover House,
73-74 High Holborn, WC1

Poverty trap for firms

From the Managing Director, Henham Smith.

Sir,—The new National Insurance contribution tables (effective October 2) bring home the fact that the total employer and employee combined contributions rate is to be 20 per cent.

A great deal has been said about the so-called "poverty trap" on individual Income Tax. How about the small limited liability company "trap," which arises mainly in the early years where one or two owner/operators, paying Schedule E tax, are taking salaries with minimum stock plough back and, hopefully, breaking even at the year end? While the separate legal entities are appreciated, the owner/operators of such companies must now effectively pay total amounts of Income Tax and National Insurance contributions on their own incomes at quite astonishing rates. For example, on £4,000 per annum "salary," the figures are approximately 20 per cent Income Tax and 20 per cent National Insurance—40 per cent—and on £8,000—45 per cent. The equivalent Schedule D earnings would attract roughly 27½ per cent and 28½ per cent respectively, including Class 4 contributions. While appreciating that the Schedule D earnings benefits are less, there is still a large discrepancy.

Surely the above is a major disincentive to establish any smaller limited liability company where the employer's National Insurance contribution is hard-earned and where no surplus profits are available to cushion the effect.

With the latest increase, there is now an overwhelming case for half-rate employers' National Insurance contributions and preferably surcharge exemption for limited liability companies with annual turnover of less than £250,000 or a lesser amount, to give the initial support necessary. This would undoubtedly give encouragement to establish such companies and help to rectify the present imbalance, always assuming such companies are to be encouraged.

C. J. Smith.
Pearl Assurance House,
Queen Square, Bristol.

Businessmen on TV

From Mr. J. Mounter

Sir,—That John Swinfield (Management Page, August 14) has managed to persuade a few eminent businessmen to air their views to the predominantly rural audience of Anglia, is no proof that the mild management paranoia, of which Nicholas Faith complained (August 7) does not exist. It is one thing to offer a man half an hour regional TV interview time, it is another to persuade him to open his factory's doors, his Board room and his books to highly qualified business journalists working for a programme with an audience potential of several million.

The problem is not to persuade businessmen to show their faces—anyone can do that—it is to show their faces, warts and all, and to persuade them that by showing themselves to the public, they can win friends and influence people. We have little problem persuading trade unions to give us access to their meetings and their negotiations: they know that often the Press is critical but that the important thing is to be seen and to be heard—eventually, they get their message across.

"Time for Business" gave that sort of opportunity to industry. We asked to be allowed to report in a fair but searching manner the subjects that involve business and concern the public: in return we offered a chance to businessmen to explain themselves to an increasingly critical audience—one which, in ignorance, can be a powerful enemy but which, when well informed, can be a powerful friend. This autumn, under the new title "Inside Business," we will offer more. I hope they will accept that TV is more than protected interviews on admirable programmes like Mr. Swinfield's "Enterprise" and that giving real access involves a slight element of risk but can bring rewards.

Julian Mounter.
(Editor/Producer, "Inside Business),
Thames TV,
303-316, Euston Road, NW1.

Today's Events

GENERAL

Retail prices index (July).

Further meeting of strikers at Perkins' diesel engine plant, Peterborough.

Chairman Hua Kuo Feng, Chinese head of state, continues visit to Romania.

Chinese iron and steel buying mission continues visit to Australia.

Edinburgh Military Tattoo continues, Edinburgh Castle (until September 9).

OFFICIAL STATISTICS

Construction new orders (June). Preliminary estimate of gross domestic product based on output data (2nd quarter).

COMPANY RESULTS

Final dividends: Gold Fields of South Africa; Stirling Knitting Group. Interim dividends: Pye Holdings; Ward Holdings.

COMPANY MEETINGS

Ariel Industries, Allen House, Leicester, 12. English Card Clothing, George Hotel, Huddersfield, 2.30. May and Hassell, Grand Hotel, Bristol, 12. R. Paterson, 77, Charlotte Street, Glasgow, 11.30.

OPERA

English National Opera in new production of The Consul, Coliseum Theatre, WC2, 7.30 pm.

BALLET

Gala Season, with stars of world ballet, Royal Festival Hall, SE1, 7.30 pm.

Asami Maki Classical Ballet of Tokyo, Wimbledon Theatre, 8 pm.

MUSIC

London Fire Brigade band concert, Tower Place, EC3, noon to 2 pm.

Nicholas King (organ), St. Stephen, Walbrook, EC4, 12.30 pm.

Landscape, a modern jazz/rock band gives concert in the courtyard of W. H. Smith building, New Fetter Lane, EC4, 1 pm-1.30 pm.

COMPANY NEWS

Lex up £3m so far and sees £17m total—rights issue

AN INCREASE in first half taxable profit from £5.33m to £8.37m is announced by Lex Service Group, motor vehicle distributor and hotelier, as well as a one-for-five rights issue at 77p designed to raise some £8m. Directors expect full years profit to be at last £17m compared with last year's £12.48m.

The proceeds of the issue will be used to reduce group indebtedness, and Mr. T. E. Chinn, the chairman, says it will fulfil the company's equity funding requirements for the foreseeable future.

The company is paying a 1.8p net per 25p share interim dividend (1.386p) and has Treasury permission for a 2.7p (2.079p) final.

Mr. Chinn says the trading performance and profit expectations for the current year combined with the issue afford the opportunity to consolidate and complete the process of strengthening the balance sheet which was the motive for its last rights issue in April, 1977.

As at August 8 the group's debts comprised £5.36m of 8.5 per cent unsecured loan stock; other long and medium term loans totalling £34.21m; resolving credit loans of £9.35m; short term loans and overdrafts fo £173,167 and credit balances of £4.92m; and third party indemnities of £548,891. At the July 2 halfway balance date shareholders' funds totalled £66.5m. The group has reached conditional agreement to replace an existing £2.1m mortgage loan with a £5m loan at 12.5 per cent, maturing in 2002.

The half year's profit came on turnover well ahead from £141.6m to £188.96m, and is subject to tax of £1.38m (£0.87m). Mr. Chinn points out that following a change in trading practice the 1977 half year profit was some £0.83m lower than it would have been under the previous arrangements.

N. M. Rothschild has underwritten the issue. Phillips and Drew are the brokers.

Mr. Chinn says that as anticipated in the 1977 report, the increase in consumer spending in the first half of 1978 had a major impact on the passenger car market and its subsidiary, Volvo Concessionaries, achieved record market share of 1.36 per cent (1.14 per cent) for the Volvo 200 series.

Leyland Cars suffered a fall in market share for the six months and this was reflected in Lex Motor Company's sales volume. However, the benefits derived from Leyland's superdeal promotion, together with increased sales of both new and used Rolls-Royce cars and increase contributions from both service and parts departments, enabled the group to show a 30 per cent profit increase over the first half of 1977.

Although the increased level of consumer spending did not benefit the company's transportation business until the latter part of the period, an overall increase of 15 per cent in traffic volume was achieved in the first half year. The continuing buoyancy in consumer spending should be of further benefit in the second half.

	Half year 1978 £000	1977 £000
Turnover	188,958	141,597
Operating profit	10,598	8,694
Interest	2,228	3,366
Profit before tax	8,370	5,328
Tax	1,383	868
Net profit	6,987	4,460
Extraordinary loss	134	—
Dividends	978	744
Retained	5,857	3,716

The commercial vehicle and fork lift truck hire businesses showed improved results over the first half of 1977. Unit sales through its Leyland truck distributorships were slightly down in line with the manufacturer's reduced market share while its ERF and Sedon Atkinson businesses achieved good results.

The integration of the Lipton fork lift truck depots into Harvey progressed well and a new depot at Luton is now operational.

With hotels in central London in the first quarter of 1978, overall room occupancy fell by 13 per cent but the second quarter indicates a return to the traditional seasonal level of high demand. Both the Carlton Tower and the Heathrow Hotel showed profit improvements over the first half of 1977. The Gatwick Park Hotel was opened as planned in mid-June and made a successful start. In the U.S. its hotel company achieved an increase in profit performance.

The group is continuing its strategy of improving service in all operations.

● comment

With "T" car registrations booming and the F.T. Industrial Index back above the 500 level, Lex Service Group has decided to seize the opportunity to get its balance sheet finally straight. Its one-for-four rights issue 16 months ago raised only just over £4m, but with the share price performing strongly in the intervening period the current one-for-five issue is producing twice as much. This will take tangible shareholders' funds up to £81m and ease net borrowings down to £34m, thus finally taking the group out of the highly geared category. Meantime the results are in line with expectations, and the second half should see the transportation side improving in reflection of consumer spending, while the passenger car market continues to be very active. Looking further ahead, car sales may flatten out next year but there is scope for improvement in the commercial vehicle and fork lift hire interests if industrial activity turns up. At 88½p, down 3p on the rights issue news, the shares are soundly backed by a prospective ex rights yield of 7.9 per cent, with a fully taxed prospective p/e of a little over 6.

Ashley Ashwood

Mr. C. C. Pocock, chairman of Shell Transport.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Assed. Tooling	1.46	Sept. 22	1.19	2.36	2.29
Bougainville int.	5§	Nov. 3	4	—	—
Cooper Industries	0.48	Oct. 4	0.39	0.88	0.79
N. Corah int.	0.9	Oct. 10	0.8	—	1.83
Danks Gowerton	1.94	—	1.66	2.64	2.36
Evode int.	0.36	Sept. 28	0.36*	—	1.14*
First Scot. American int.	1	Oct. 2	1	—	2.83
A. and J. Gelfer	1.63	Oct. 9	1.44	2.85	2.56
Wm. Jacks sec. int.	0.33‡	Oct. 9	nil	—	nil
Lex Service int.	1.8	Sept. 22	1.39	—¶	3.47
New Equipment int.	0.34	Sept. 22	0.33	—	0.98
Norton and Wright	2.02	Oct. 20	2.61	4.22	3.79
Rea Bros. int.	0.73	Oct. 10	0.73	—	1.63
RoyaTl Insurance int.	7.27	Jan. 2	6.51	—	16.43
Transport Develop. int.	1.25	Nov. 7	1.13	—	3.19
Woodhouse & Rixson int.	1.16	Oct. 2	1.16	—	2.32

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 18 months. § Papua New Guinea toea throughout. ¶ 2.7p final forecast. || Additional 0.151p to be paid following reduction in ACT.

R. Dutch Shell underlying trend still unexciting

NET INCOME of the Royal Dutch/Shell group of companies for the second quarter of 1978 amounted to £390m against £307m in the corresponding period of 1977, giving a first half total of £396m compared with £723m.

As was stated in the first quarter of 1978, currency translation effects based on the U.S. accounting standard resulted in net income of only £6m for that quarter (after £280m currency losses) and bears heavily on the first half result, the directors say. The second quarter produced net currency gains of £108m.

The fall in first half net income, apart from the currency translation effect was due also to the FIFO method of stock valuation, particularly affected following the OPEC crude oil price rise in January 1977 and the decline in sales volumes of gas.

Sales proceeds, less sales taxes, excise duties and similar levies were £6.04bn (£5.99bn) in the second quarter giving £11.79bn against £12.06bn at halfway.

First half net income per 25p and there was a surplus of £143m (49.87p) and NFl 20 Royal Dutch share NFl 7.51 (14.34).

Capital expenditure came to £1.03bn against £1.06bn with £417m (£368m) in Europe and £383m (£466m) in the U.S.

New borrowings (less repayments) stood at £343m (£401m) and there was a surplus of £143m on currency translation effects against a £26m deficit in the first half last year.

	First half 1978 £m	1977 £m
Revenues		
Sale proceeds	14,182	14,231
Sales, taxes, duties, etc.	2,958	2,786
Leaving	11,226	11,437
Other revenues	321	294
Share associates	140	271
Interest income	106	121
Making	11,793	12,063
Costs and expenses		
Purchases & operating	8,382	8,599
Selling, general, admin.	1,368	1,157
Exploration	186	195
Research and dev.	96	79
Depreciation, etc.	391	383
Interest expense	161	143
Tax on income	810	1,106
To minority	63	66
Making	11,397	11,340
Net income	396	723

Crude oil supply was 4.49m (4.38m) barrels daily; crude oil processed 4.13m (4.39m); oil sales 5.4m (5.39m); natural gas sales, 6.89m (7.05m) cubic feet daily and chemical sales proceeds, £1.26m (£1.24m).

The contribution of Shell Oil Company in the U.S. and Shell Canada to group sterling net income for the second quarter 1978 was lower by £9m, or 9 per cent than in the corresponding quarter in 1977, mainly due to the fall in the value of the U.S. and Canadian dollars.

Excluding Shell Oil Company and Shell Canada, sales volumes of oil products increased by 4 per cent over second quarter 1977 while sales volumes of gas declined, principally due to a lower level of exports from the Netherlands.

The oil trading conditions in most of the main markets for group companies improved during the last six months, although in some countries earnings were still below the levels needed to sustain long-term business. Chemicals markets were somewhat better compared with the deterioration seen throughout 1977.

World-wide capital expenditure was £584m for the quarter and £1,027m for the half year, reflecting continuing high levels of investment in oil production and chemicals manufacturing facilities in Europe and North America.

As at June 30, the long-term debt was £3,467m, and cash and short-term securities, £2,614m.

See Lex

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Norton & Wright advances

FOLLOWING THE rise from £273,887 to £316,671 in the first six months, profits before tax of the Norton and Wright Group increased to £941,033 for the year ended March 31, 1978, compared with £556,971 a year earlier.

Earnings per share are shown at 16.37p (10.36p) fully diluted and the total dividend is lifted from 3.7868p to 4.2295p with a final of 2.9185p. The directors have waived the final dividend amounting to £43,639 (£37,750). A 1-for-1 scrip issue is proposed.

Turnover for the year amounted to £3.80m compared with £2.77m. The net profit is £459,503 against £208,971 after tax of £481,530 (£348,000).

The Leeds-based group produces and distributes fund-raising cards and schemes.

Stronger demand at Distillers but margins under pressure

WORLD DEMAND for Distillers Company's brands continues to be relatively strong and an improving trend in the U.S. is encouraging, Mr. J. R. Cater, the chairman, says in his annual statement.

However, he says net margins have come under pressure, and therefore prospects can only be viewed with guarded confidence.

There are inevitably many problems ahead, he says. But the effects of its actions in the home market—the withdrawal of Red Label and Dimple whiskies and the increase in prices of other brands—and of the disruption to its distributors from parallel exports from the UK cannot be measured accurately.

"An intensely competitive situation prevails, not only within the industry but within the wider field of alcoholic beverages, and the recent price rises in export markets have had to reflect our judgement of what would be commercially sustainable in the context of a tronger pound as well as our desire to recover cost increases in full."

As previously reported taxable profit of Distillers increased from £133.6m to £162.5m in the March 31, 1978, year on the back of healthy whisky sales. A current cost statements shows the profit at £94.9m.

Mr. Cater points out that all distilleries remained in production during the year and some increase in both malt and grain whisky was initiated in January, 1978. Directors believe the group has adequate cover to ensure full and free supply of all brands in the years ahead.

The improvement in barley quality will be mainly reflected in distillery operations in the current year, while the new blending plant at Glasgow for John Walker and Sons has proved an efficient and economic unit. The new bottling plant should be operating by the autumn.

As already known, Distillers is appealing in the European Court of Justice against the EEC Commission decision which brought to an end the group's dual pricing scheme which operated to protect its European sole distributors from parallel exports from UK wholesalers.

The resultant withdrawal of two brands from the UK and price increases on five other brands reduced the group's volume of trade and for the year its market share declined at a time when industry clearances fell by some 9 per cent.

Mr. Cater says that the year began with the trade overstocked, although some improvement was achieved in the pre-Christmas period and continued into January when the brands were removed.

During the year a new low-priced whisky, The Claymore, was introduced and has already made satisfactory profits. Two other brands have since been introduced and he says the group is placing considerable marketing efforts and resources behind the new brands.

On the Continent, direct shipments to EEC markets declined slightly and its accredited distributors faced disruption as substantial quantities of Distillers' brands were shipped by UK wholesalers.

In the U.S., industry shipments were less than 1 per cent higher than the previous year although brands shipped in bottles performed substantially better than bulk shipped whisky.

Distillers business was however considerably stronger than the industry trend and since Christmas there has been some indication that sales generally may be expanding.

Price increases in all export markets of some 10 to 12 per cent appear to have been absorbed by world markets without any immediate effect on the group's volume of business.

On the gin side, UK sales were depressed early in the year but picked up later with Distillers doing better than the industry as a whole. The EEC decision on pricing has also been affecting distributors of Distillers' products in the EEC.

Capital spending for all last year was £19.4m and accounts show capital commitments at balance date of £9.4m.

At balance date, net current assets were up from £553.5m to £615.1m, with the liquid funds and cash element of current assets ahead from £57.8m to £103.6m. Fixed assets were £124m (£117.3m), although properties with a book value of £67.4m are estimated to have a current cost value of some £101.2m.

Midway rise for New Equipment

For the six months ended April 30, 1978, profits of New Equipment rose from £45,849 to £86,835, on turnover maintained at £884,243.

After tax £47,346 (£22,735), net profit came out at £39,289 (£22,894). The interim dividend is 0.335p (0.33p) net—total for the year ended October 31, 1977, was 0.9801p per 10p share paid from taxable profits of £115,000.

The company makes tubular steel furniture.

First half upturn by Woodhouse & Rixson

ELIMINATION OF losses overseas enabled Woodhouse and Rixson (Holdings) to improve taxable earnings for the half year to the end of June, 1978, from £151,000 to £320,000. Last time the trading loss at La Bride Belge was £172,000 and by full-time had reached £323,000 cutting the 12-month profit to £196,000.

First half sales amounted to £6.71m (£6.21m) and trading profit by the UK companies showed a modest increase. There seems to have been no further deterioration in demand for the group's products overall, but there are, as yet, no real signs of any sustained increase in activity. However, demand in two divisions appears to be better than average for their markets and the rest are keeping pace, the directors state.

Tax for the six months amounted to £121,000 (nil) leaving earnings per 12½p share ahead 0.4p at 1.0p. The net interim dividend is held at 1.15903p costing £119,000—last year's final was also 1.15903p.

An extraordinary debit this time of £76,000 reflects the cost of continued rationalisation of the group's unprofitable flange manufacturing where it became necessary to reduce the scale of machining operations. Trading losses of £78,000 from the flange activity have been taken into account and no further such losses are expected the directors say.

Confidence at S & U Stores

A great deal has been achieved at S and U Stores in restoring the company to full health and the directors face the future with confidence, says Mr. Derek Coombs, the chairman.

During the year to January 31, 1978, the group changed its principal activity to retail credit and finished the period showing a recovery from a pre-tax loss of £146,413 to a profit of £531,927 on turnover of £16.42m (£9.48m)—as reported July 18. No dividend is to be paid.

Overdrafts at year end were down to £3.39m (£4.26m) and properties are stated in the balance sheet at £3.72m (£4.25m) after sales, at cost, of £538,565 (£134,761).

Stewart Nairn expands to £50,000

For the year to March 31, 1978, taxable profits of Stewart Nairn Group, the hosiery and knitwear concern, expanded from £20,778 to £50,001, on turnover of £1.77m against £1.4m.

At half-time, when announcing profit of £22,988 (£2,469 loss), the directors said they had been considering making an application for the relisting of the company's shares — suspended in 1973 — but had been advised t oawait the full year results.

Following a capital reduction scheme, yearly earnings per 5p share are 0.45p, compared with 0.2p per 20p share. Again no dividend is to be paid—the last was in 1964.

The result included interest received of £2,303 (£5,244) and was after lower bank interest of £3,161 (£13,607). Tax took £12,500 (£4,264) and there was a £2,000 (£16,891) transfer to fixed asset replacement reserve.

Second half pick-up at Cooper Industries

AFTER REPORTING a £0.25m drop to £685,000 in midway pre-tax profits, Cooper Industries picked up in the second half to end the April 30, 1978 year marginally ahead from £1.78m to £1.83m, on higher turnover of £24.72m against £20.3m.

The directors say that the current year has started well and they expect a better half-year and another full year of increased profits.

At the interim stage, they said that the company was still running considerably below capacity, but was well equipped to take advantage of any upturn in trade. The substantial capital expenditure programme to improve its competitive position was continuing.

The company's interests are in steel re-rolling, precision engineering, building and metal spraying.

The full-year result included an increased share of associates' profit amounting to £606,000 (£297,000). Tax for the group took £379,000 (£133,000) and for associates' £264,000 (£101,000 credit).

After extraordinary credits of £212,000 (£189,000 debits), available profits fell from £1.58m to £1.37m.

Earnings per share are lower at 3.7p (5.5p), while a final dividend of 0.485p raises the total for the year from 0.792p to the maximum permitted 0.885p, costing £274,000 (£245,000).

Net assets at the year end are shown as 22.9p (20.4p) per 10p share.

● comment

Pre-tax profits of Cooper Industries are only 3 per cent ahead but this conceals a 37 per cent advance in the second half, mainly thanks to increased volume and a slight improvement in margins. The more than doubled contribution from associates is primarily due to better trading at Lloyd Cooper (50 per cent owned) and is more impressive given November's repurchase of the 60 per cent stake in Jevons Cooper. The company maintain that because of financing costs, this acquisition made little impression on the group's final results. Jevons, however, whose profits have more than trebled since it was last a subsidiary, should have more impact in the current year. Elsewhere, the steel recession continues to bite but demand for Bromford's rolled flats and strips has shown some uplift. Meanwhile, the group's land and building activities made a small profit this time (£250,000 loss) but overall the future depends largely on an end to the steel gloom. At 22p the shares are on a p/e of 5.8 and yield 6.2 per cent.

DIVIDEND AMENDMENTS

As a result of the extension of dividend restraint the following companies have amended their payments:—

Daily Mail and General Trust: Second interim will be paid on August 30, as recommended, but 1.162p final now cancelled.

Greene, King and Sons: Third interim for year to April 30, 1978 cancelled.

Hampton Gold Mining Areas: Dividend for year to March 31, 1978 now reduced to 1.6214p.

Granada Group: Following ACT reductions, interim, payable October 2, will be 1.189p, not 1.1713p.

Barranquilla Investments: Following ACT reduction, interim, payable October 2, will be 13.4324p, not 13.2319p.

Improvement at William Jacks marred by exchange loss

IN A buoyant new car market during the 12 months to June 30, 1978, William Jacks made progress towards the peak performance seen three years ago. Taxable profit for the year to June 30, 1978, was up from £299,562 to £374,576, compared with £458,000 for 1974-75.

However devaluation of the Zambian Kwacha, earlier this year, resulted in exchange losses of £63,303 slowing profit in the second six months to £188,932 (£206,531).

Turnover by the company, which has interests in overseas trading and manufacturing and motor car distribution and retailing, was ahead to £11.5m (£8.37m). Owing to a change of year-end the current accounting period will be for 18 months.

The directors expect the level of profits currently being earned to be maintained at the end of 1978.

After tax of £204,243 (£94,406) earnings for the 12 months per 25p share were lower at 3.11p (3.71p) and the second interim dividend is 0.33p bringing the total so far to 0.99p. No dividend has been paid since 1972-73.

The Board is actively continuing its efforts to obtain additional gearing for the finance division. The return on this investment improved during the year but this will not be satisfactory until the directors are able to secure additional funds.

The Zambian subsidiary once again produced good profits and a dividend will eventually be remitted to the UK. Exchange control in Zambia has not as yet released the funds for remittance to the UK of the dividend declared for 1976-77.

REA BROS. DOWN

For the first half of 1978, profits of Rea Brothers, merchant banker, were at a lower level than those for the same period last year, the directors report.

The interim dividend is held at 0.725p—last year's total was 1.6328p when profit amounted to £501,000 after tax, expenses and transfer to inner reserves.

Strong start by Witan Inv.

After tax of £416,883, against £283,847, Witan Investment lifted net income for the three months to July 31, 1978, from £493,843 to £676,268.

Gross income reached £1.73m (£1.35m) and net asset value at the end of the first quarter was up 23.7p at 132.8p per 25p share. Earnings jumped from 0.38p to 0.8p. For 1977-178 revenue before tax was a record £3.6m.

BIDS AND DEALS

Imps sells Bunzl holding

Imperial Group has sold its 13.5 per cent stake in Bunzl Pulp Paper, the cigarette filter manufacturers, for £3.6m.

The stake held by Imperial's British Tobacco Investment holding subsidiary was acquired in 1962 for just under £2m. The shares have been placed through the market with institutional investors. Bunzl's share price last night stood at 106p.

A spokesman for Imps said that British Tobacco had felt that its significant holding in Bunzl had made its investment portfolio "lop-sided." It had decided that now was the best time to dispose of the holding.

BARTON & SONS

Barton and Sons has acquired the whole of the issued capital of Chemipetro Engineering and High Pressure Forgings.

Chemipetro is a stockholder and manufacturers of flanges, fittings and fasteners, and HPF a stockholder of high pressure fittings and forgings. The business of both companies is predominantly the supply of specialised components to the oil and petro-chemical industries and to contractors based in the UK engaged in the construction of specialised plants for those industries on an international basis. Both operate from premises at Tipton, West Midlands.

The initial cash consideration is £200,000 together with a sum equivalent to the net tangible assets of the two companies which are estimated to total about £313,000.

In addition, a further deferred consideration will be payable in cash not later than April 30, 1980, 1981 and 1982, being in each case a sum equivalent to 43 per cent of the amount by which the profits before taxation of the two companies for the preceding calendar year exceed £125,000. According to management accounts the profit before tax of Chemipetro for the year to June 30, 1978 amounted to some £215,000 and the profit of HPF for the 15 months to June 30 was £138,000.

Directors of Barton intend to seek further acquisitions in similar fields rather than in the area of heavy manufacturing. The acquisition of Chemipetro and HPF was contemplated before serions negotiations commenced for the sale of Barton's South African interests and accordingly Barton still has very substantial monies available for re-investment, they say.

Chemipetro was formerly a wholly-owned subsidiary of Midsteel Stockholders.

GLYNWED SALE RAISES £1.26M

£1.26m has been raised by Glynwed through the sale of its 8.3 per cent stake in Armitage Shanks. The 1.7m shares, acquired during the abortive bid for Armitage in 1973 which lapsed when it was referred to the Monopolies Commission, have been placed with institutions through Rowe and Pitman, Hurst-Brown.

The sale price of 72½p compares with a market price on Wednesday of 77p. A spokesman for Glynwed said yesterday that the money would be used to reduce the company's overdraft.

CHARTERHOUSE JAPHET

Merchant bankers Charterhouse Japhet has acquired the remaining 49 per cent of E. D. Sassoon Bank and Trust International, the Bahamas based international banking and financial concern.

Last year Charterhouse bought a 51 per cent stake in the bank and has now purchased the outstanding holding from Sterling Credit Group. The bank, which will be renamed Charterhouse Japhet Bank and Trust International, showed share capital and reserves in excess of $2m in its last accounts.

SHARE STAKES

Herman Smith—Mrs. F. J. E. Herman-Smith has purchased 17,500 ordinary shares.

Dartmouth Investments — Mr. D. C. Hathaway now holds 675,243 (5.2 per cent) shares beneficially.

Levex—Nenin Properties and Associates are now interested in 1,222,300 ordinary shares and Mr. K. Maharajh has become interested in further 14,000 shares.

Ayrshire Metal Products—Imperial Group has informed the company that ITC Pension Trust jointly with ITC Pension Investments holds 300,000 shares.

Barrow Hepburn Group—Mr. G. R. Odey, director, has purchased 12,900 ordinary shares.

Home Charm—H. E. Fogel, director, has sold 25,000 ordinary shares.

Mills and Allen International—Britannia Arrow Holdings has acquired 10,000 ordinary shares on August 8, and 15,000 on August 11 increasing holding to 777,447 (9.5 per cent).

Higsons Brewery—Mr. G. L. Corlett, director, has sold 30,000 ordinary shares registered in name of Westminster (Liverpool) Trust Company. Mr. D. B. Corlett, director, has sold 30,000 shares registered in name of Westminster (Liverpool) Trust Company.

Crosby Spring Interiors—Mr. I. H. Campbell (and family) has sold 13,210 £51 preference shares.

London and Provincial Shop Centres (Holdings) — Mr. R. Gerard, joint chairman and managing director, has sold 20,000 shares.

Crosby Spring Interiors—A. J. Webster (and family) has sold 5,539 £1 preference shares, W. O. Warburton sold 4,157 £1 preference shares, D. R. Baxendell (and family) sold 30,345 £1 preference shares.

C. E. Heath and Co.—Mr. J. J. Burton, director, has sold 7,500

Linfood Holdings — Between June 26 and August 10 Guinness Peat Group acquired 300,000 ordinary shares and now holds total of 5,562,646.

Willis Faber—Mr. J. O. Prentice has notified company that his beneficial interest in ordinary shares has decreased by 6,666 and his non-beneficial by 13,334.

Francis Industries—West City Securities has sold 140,000 ordinary shares reducing holding to 530,418 (7.56 per cent).

Lee Cooper Group—Mr. M. A. Cooper has disposed of 37,000 ordinary shares.

Gough Cooper—Mr. R. C. Gough, director, has disposed of 19,000 shares.

Lee Cooper Group—Mr. H. C. Cooper has disposed of 100,000 ordinary shares.

Property Security Investment Trust—Following his appointment as trustee, Mr. P. H. Dunn, director, now has non-beneficial interest as trustee in respect of 27,500 ordinary shares.

BANK RETURN

	Wednesday Aug. 16 1978	Inc. (+) or Dec. (−) for week
BANKING DEPARTMENT		
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	21,639,615	+ 521,487
Special Deposits	234,755,000	− 201,107,000
Bankers	401,708,928	+ 60,651,042
Reserves & Other Accts	870,253,105	+ 32,911,005
	1,542,927,648	− 107,062,466
ASSETS		
Govt. Securities	910,251,086	− 76,000,000
Advances & Other Accts	210,066,158	− 19,034,714
Premises, Equip't & other Secs.	399,707,576	+ 155,224
Notes	12,715,022	− 12,175,715
Coin	187,504	− 10,261
	1,542,927,648	− 107,062,466
ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes Issued	8,025,000,000	− 75,000,000
In Circulation	8,012,284,978	− 62,824,285
In Bank'g Dept	12,715,022	− 12,175,715
ASSETS		
Govt. Debts	11,015,100	
Other Govt. Secs.	2,476,893,161	− 82,668,955
Other Securities	1,057,091,739	+ 167,668,955
	8,025,000,000	− 75,000,000

Distillers' exports increase to £300 million

Extracts from the statement by the Chairman, Mr. J. R. Cater, circulated with the Report and Accounts for the year ended 31st March, 1978.

General observations on results

Turnover and profits

Total Group turnover including duty increased by only 3.4%. There was a considerable reduction in the amount of duty paid in the UK during the year partly because of lower sales but also because a higher proportion of sales were made under-bond. Total turnover exclusive of duty increased by 14.3%. The profit from trading operations amounted to £160.6 million compared with £139.9 million. Increases in the volume of export sales of Scotch whisky and gin were partly offset by reduced sales in the home market which proved to have been very fully stocked at the beginning of the financial year. The improvement in profits resulted principally from maintained average percentage net margins in the Scotch whisky sector on the higher turnover excluding duty. The Food Group and Carbon Dioxide Company contributed slightly increased profits in more difficult trading conditions.

Dividends

The directors recommend a final dividend of 4.5642p per share. An interim of 2.6950p per share has already been paid making the total distribution 7.2592p per share. Together with the associated tax credit the total distribution is equivalent to 10.89557p per share compared with 9.90507p per share last year.

Scotch whisky

Production

Increased levels of distillation were introduced to maintain adequate stocks of maturing whiskies and to provide the balanced inventory necessary to meet our projected sales. We continue to believe that we have adequate cover to ensure full and free supply of all our brands.

The blending section of the new plant at Shieldhall, Glasgow, was commissioned by John Walker & Sons and proved an efficient and economic unit. The bottling plant should be in operation in the autumn.

A major new warehouse site is being developed at Bonnybridge, Stirlingshire, to permit a progressive building programme in line with our stock requirements.

EEC

My statement last year referred briefly to the EEC Commission's formal objections to the Group's Home Trade Conditions of Sale and Price Terms and indicated that, if these objections were sustained, problems of some magnitude would have to be faced. I believe it is now appropriate to outline the background of events leading to the Commission's eventual ruling and the reasoning that led the Company to the commercial judgments which, in our view, inevitably had to be taken in response to that ruling.

From the earliest days in the development of the sale of Scotch whisky in export markets of the world, each brand-owning company has appointed a sole distributor in individual markets. That distributor is given an exclusive right to purchase the company's brand, and in return undertakes the obligation to promote, by his own efforts and at his own expense, the long term success of the brand in his territory. Scotch whisky is exported to some 180 countries, in which the problems of competition, distribution, discriminatory legislation and taxation vary enormously, and no brand owner could compete effectively in all of these diverse markets other than by coming to an agreement with a local distributor which offers that distributor the necessary incentives to fulfil his obligations. The sole distributor system has, from the outset, played a vital and totally essential part in the success of the export endeavours of the Scotch whisky industry. Disband it, or allow it to become so unattractive to the distributor that he no longer wishes to continue to represent a brand, and it is inevitable that the brand will disappear from important segments of the markets, to the ultimate and serious detriment of Scotch whisky world sales.

Thus, prior to the date on which the UK joined the Common Market, Group Home Trade Conditions of Sale and Price Terms expressly prohibited customers from reselling to any export market in the world. Subsequent to the 1975 Referendum on British membership of the Community, we advised all UK customers that if they wished to export into other EEC markets they were free to do so, but we reminded them that only purchases intended for resale in the UK would continue to attract normal home trade discounts. This was, in effect, a dual price structure to the same customer—one price for resales into the UK market and a different price for resales into other EEC countries. The aim was to ensure that a wholesaler in the UK would not be able to purchase at the same net price as a sole distributor and, with no obligation either to promote or to ensure wide distribution of the brand in an export market, resell selectively to the sole distributor's customers at a price the sole distributor could not possibly match whilst continuing to fulfil his promotional obligations. The longer term effect of such a trade would, in our commercial judgment, inevitably have been that the distributors in the EEC markets would have found it of no interest to continue to represent our brands with the result that these brands would, without promotional support and sales endeavour, have suffered an unacceptable diminution in sales.

We do not question that in the short span of perhaps a year or two the flow of cheap parallel exports into supermarkets abroad might not greatly diminish total sales, since brands would survive for a time on the past promotional services of their distributors, but we equally are not to be deflected from our strongly held belief that the ultimate consequences would be very damaging to the sales of our products. Were such not the case it must surely be apparent that our Group companies would themselves have sought to open up trade with Continental supermarket chains direct.

Finally, and perhaps most importantly, the problem of parallel exports flowing from the UK could not be contained within the EEC. If a wholesaler in the UK is not in a position to purchase for export at net prices which are substantially below distributors' resale prices, the incentives for entering the parallel trade are minimal and that trade would have an insignificantly disruptive effect on export markets. If, however, a UK wholesaler is encouraged by comparatively lower net prices to sell to a third party who orders large consignments ostensibly for any other EEC market, he will do so. That third party then has control of the goods and will seek out the most profitable market which may, or may not, be within the EEC. Parallel exports may therefore find their way into markets of the world generally, to the serious additional detriment of our exports.

Market conditions in the UK are very different from those in the Continental EEC and the rest of the world. In the UK Scotch whisky is a traditional drink and commands 50% of the total spirit sales. The market is dominated by large retail chains and buying groups, and price competition is a major factor. In export markets, brands of Scotch whisky compete against the traditional local drinks (in Germany for instance Scotch whisky represents only some 3% of the spirits consumed) and must do so, particularly in a number of EEC countries, in the face of blatant tax discrimination in favour of local products. In such conditions substantial expenditure on promotional activity is indispensable. This expenditure has to be reflected in the selling price. It is therefore impossible for a brand of Scotch whisky to compete successfully at the same price both in the United Kingdom and in export markets. The dual price structure was designed to take account of this inescapable fact. It was also designed to allow Group brands to compete in the UK and to be exported to the Continental EEC by UK wholesalers as Community law requires, but at a price which would not destroy the ability of sole distributors to maintain their essential promotional activities.

The Company contended that, even if its dual price structure were regarded as falling within the provision of Article 85(1) of the Treaty of Rome, that structure was, because of the distortions of trade and competition in the EEC markets, entitled to approval under Article 85(3).

In the event the Company was advised by the EEC Commission on 21st December 1977 that Group brands must not continue to be priced at two different levels to a customer in the UK. The ruling called for immediate implementation and on that same day we changed our terms to comply fully with the instruction.

Because Johnnie Walker Red Label is the leading brand in world export markets and the prime target for parallel exporters, who were so easily able to capitalise on the wide consumer demand built up by the promotional efforts of its sole distributors, we judged that Walker would have been flooded with under-bond orders on the day following the announcement. We could not increase the price overnight because of UK prices legislation and we were unwilling to leave Red Label to be exploited by others to the longer term detriment of the brand. We accordingly withdrew Red Label from sale in the home market as the only acceptable choice open to us in the changed circumstances. Haig Dimple was also reluctantly withdrawn for the same reasons.

We sought and obtained protective price increases for certain other brands and, while that action, designed solely to protect the export viability of the brands, must virtually price them out of the home market, it is important to stress that there remained available large numbers of Group brands at unchanged prices. The consumer in this market therefore continued to have a wide choice at his command.

Your Board continues to believe that the Company is entitled to the benefit of Article 85(3) for a dual price structure. It has therefore appealed to the European Court of Justice against the decision of the Commission.

Home sales

Government imposed no further increases upon a level of duty which is already extremely high, at £3.16 per bottle, plus VAT. The Government did not, however, grant any period of credit in respect of payment of duty, in spite of the industry's strong representations. Other alcoholic beverage industries enjoy a period of credit in financing their lower rates of duty.

In spite of the unpalatable actions we have found it necessary to take, we still have in Haig Gold Label and White Horse two of the leading brands in the market; and in Johnnie Walker Black Label the market leader in the de luxe brand sector. Additionally, we launched a lower-priced whisky—The Claymore—and have recently introduced two new brands, John Barr and The Buchanan Blend. The policy of the Company is to maintain a substantial presence in the home market and to earn a satisfactory level of profit there, so long as these objectives can be attained without long-term damage to the Group's strong export performance.

Continental EEC sales

Direct shipments to EEC markets declined slightly and our accredited distributors faced a particularly disruptive period as substantial quantities of our brands were shipped into their markets by UK wholesalers. Cheap whiskies are a growing feature but Johnnie Walker Red Label continued to be the leader in the standard brand segment and the success of Haig Dimple in West Germany is very encouraging.

Exports of Scotch whisky

Industry exports of blended Scotch whisky showed a small increase of 1.5%. However, in spite of the depressed state of many national economies and the proliferation of tariff and non-tariff barriers against Scotch whisky, increased selling prices contributed materially to the growth of foreign exchange earnings.

The US market was particularly weak. Industry shipments were less than 1% ahead. Brands shipped in bottle performed substantially better than those shipped in bulk and Dewar's White Label and Johnnie Walker Red Label continued to strengthen their positions among the top four brands in that category. Johnnie Walker Black Label and Haig Pinch enjoyed good increases in sales. Severe price competition amongst brands bottled in the USA continued but our share of total bulk shipments was maintained.

Your Company's Scotch whisky business with the USA was considerably stronger than the industry trend. Moreover, since Christmas, industry tax payments have improved to give some indication that sales generally may be expanding.

Across world markets, Johnnie Walker further enhanced its success as outstandingly the largest-selling Scotch whisky. In Central and South America Buchanan's De Luxe, Old Parr, Johnnie Walker Black Label, Haig Dimple and Chequers did valuable business. In Africa Johnnie Walker and White Horse remained as market leaders. Through many Asian markets and in Australia and New Zealand our brands met particularly strong price competition but continued to occupy a solid position. In Japan sales of Scotch whisky, including your Company's brands, experienced a quiet year. Nevertheless, our leading brands increased their share of business.

Export prices of our standard and de luxe brands were increased by 10% and 12% respectively in February 1978 and increases were introduced a little later for our secondary brands.

Gin

Work commenced at Wandsworth Distillery on the construction of a new £4.7 million distillation complex to meet the increasing demand for grain spirit for Group brands of gin. In the UK market Booth's Finest Dry Gin suffered a disappointing reduction in market share, Gordon's maintained its premier position and High & Dry continued to make progress. Further progress was made in export markets, notably in respect of shipments of Tanqueray Gin to the USA and to Canada. However, profitability in these two areas was adversely affected by exchange rates.

Since the EEC Commission's decision last December on dual pricing, the growth of parallel exports of Gordon's in the home trade bottle to Continental EEC markets has been creating an increasingly serious problem for our distributors.

In the USA the gin industry recorded a welcome increase in volume with locally produced Gordon's and Booth's High & Dry participating in this improvement.

Vodka

Sales of Cossack Vodka were somewhat depressed in the UK. The growth of the vodka market in the USA appeared to be slowing down. Nevertheless, Gordon's Vodka increased its sales.

Australia

The economic situation in Australia remained difficult. Continuing extremely heavy discounting again made trading conditions confused.

United Distillers Proprietary had to face the severest competition from cheap imported spirits. Nevertheless a small profit was achieved.

Tolley, Scott & Tolley experienced a substantial setback in profitability, largely because of temporary production problems.

Food group

The Yeast and Food Division made further progress with increased sales and an improvement in profits. Sales from the food factories continued at a high level. Production at the two yeast factories was the highest ever achieved.

A steep rise in the cost of raw materials in the early part of the year, followed by a rapid fall with consequent stock losses, resulted in a small reduction in margins for The Peerless Refining Company (Liverpool) Limited.

Carbon dioxide

The Distillers Company (Carbon Dioxide) Limited had another successful year, with profits somewhat ahead of last year's very satisfactory level.

The results largely reflect trading in which the level of activity in the main sector of CO_2 sales was very similar to 1976-77. A useful increase in profit was derived from the sale of associated engineering equipment where sales volume, particularly in exports, showed a substantial advance.

United Glass

Sales were strong in the first half of the year. In the second six months, demand eased and the company was able to rebuild its stocks. Capital expenditure of £9.2 million reflected the continuation of the planned investment programme of recent years.

SUMMARY OF RESULTS

for year ended 31st March	1978 £million	1977 £million
Turnover	876.1	847.2
Group profit before tax	162.5	133.6
Profit after tax & minority interests	79.8	63.3
Extraordinary items	(0.6)	1.0
Surplus for the year	79.2	64.3
Dividends	26.4	23.6
Earnings per share	21.97p	17.44p
Dividends per share	7.26p	6.51p

Personnel

The Board's sincere appreciation is extended to the Group's employees at all levels without whose efforts and hard work a satisfactory outcome to the year's trading could not have been achieved.

Future prospects

World demand for our brands continues to be relatively strong and the improving trend noted in the United States is encouraging.

There are inevitably many problems ahead. The effects of our actions in the home market and of the disruption to our distributors from parallel exports cannot at this time be measured accurately. An intensely competitive situation prevails, not only within the industry but in the wider field of alcoholic beverages, and the recent price rises in export markets have had to reflect our judgment of what would be commercially sustainable in the context of a stronger pound as well as our desire to recover cost increases in full.

With net margins consequently under some pressure, I believe I should go no further than to say that there are grounds for viewing prospects for the current year with guarded confidence.

DCL The Distillers Company Limited

The One Hundred and First Annual General Meeting of The Distillers Company Limited will be held at the North British Hotel, Edinburgh, on Thursday, the 14th day of September, 1978, at 12.15 pm.

S & N will diversify only into proven companies

BY RAY PERMAN, SCOTTISH CORRESPONDENT

FUTURE DIVERSIFICATION by Scottish and Newcastle Breweries *will be only into companies with* proven record and sound management, Mr. Peter Balfour, the chairman, told the annual meeting in Edinburgh yesterday.

He was answering a shareholder who criticised the losses made on Del Monte Kitchens (now sold), and the French company, Golf St. Cyprien, which is to be disposed of on October 1.

Mr. Balfour said that the St. Cypien leisure and real estate venture was "a mistake for which he and the board accepted responsibility."

"Nothing more would be herd of Del Monte because this was now finished and done with."

But the company must diversify. Beer, which provided most of the group's profits, was a mature market in which there were a number of companies competing for the available growth.

In the first quarter of this year beer sales *had been disappointing*, largely because of the weather. But sales of wines and spirits, and trading in managed public houses and hotels, had been satisfactory.

He would not now expect much improvement in the first-half results, but provided there was some reasonable weather and a satisfactory outcome to wage and salary negotiations, he would expect an improvement to the year as a whole."

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Benford Concrete Machinery, Pye Holdings, Ward Holdings.

Finals: Gold Fields of South Africa Investment Company, Pifco, Stirling Knitting.

FUTURE DATES

Interims—

Elbar Industrial	Sept. 13
Lonrho	Aug. 30
Oxley Printing	Sept. 14
Turner (W. and E.)	Aug. 22
Union Corporation	Aug. 30

Finals—

Aeronautical & Gen. Instruments	Aug. 24
Austin (F.) (Leyton)	Aug. 25
British Vending Industries	Sept. 14
McKay Securities	Aug. 22
Thames Plywood Manufacturers	Aug. 24

Owing to an agency error, the latter figure was shown as 400,000 *shares in yesterday's report.*

Record by A. & J. Gelfer

FOLLOWING A small rise from £253,860 to £260,325 at midway, taxable profits of A. and J. Gelfer, *maker of ties, men's headware* and scarves, ended the March 31, 1978, year at a peak £674,864 against the previous year's £627,881.

Turnover improved from £3.13m to £3.34m and net profits were better at £326,666 against £302,267, after tax of £348,198 (£323,614).

Earnings per 20p share are 5.23p (4.84p), while the dividend total is stepped up from 2.3336p to 2.834p net, with a final of 1.654p.

£0.3m slip by Reed Stenhouse

IN THE nine months to June 30, 1978 Reed Stenhouse earned commission and fees of £53.24m compared with £52.58m and pre-tax profits of £11.23m against £11.53m *in the same period last year.*

The profits is after interest, dividends etc of £2.29m (£2.26m) and subject to tax of £5.58m (£5.64m). Attributable profit came out at £5.32m (£5.68m) after amortisation of now complete covenants of £93,000 (£160,000) and minority interests.

Earnings per share of the company, which is 54.04 per cent owned by Stenhouse Holdings, are shown at 36.96p (38.16p).

A. WORTHINGTON

A. J. Worthington (Holdings) has received waivers in respect of 0.473p per 5p share of the recommended final dividend on 300,000 ordinary shares.

Midterm downturn for Evode

ALTHOUGH TURNOVER rose from £11.26m to £12.62m, pre-tax profits of Evode Holdings, maker ofadhesives and jointing compounds, *dropped to £310,835 for* the 26 weeks to April 1, 1978, compared with £693,531 for the corresponding 27 weeks of 1976-1977. For all that year, a peak £1.48m was achieved.

First half turnover and profits were pslit as to: UK, £10.63m (£9.43m) and £387,227 (£701,795) and overseas, £1.99m (£1.83m) and £76,392 loss (£8,264 loss) respectively.

In the last annual report, the company indicated that business for the first quarter was difficult and that this was expected to continue into the second quarter.

Although, the company's UK business have achieved a marked recovery in the third quarter, which to date is being maintained in the last quarter, its losses in France continue.

The directors report that they are intensifying efforts to deal with this problem as soon as possible, but meanwhile, have made a provision of 250,000 for diminution of value of the investment in its French subsidiary. This amount has been written off reserves.

After UK tax of £192,813 (£278,795) and foreign tax of £6,350 (£6,490), net profits dived *from £410,246 to £111,673 for the* period.

The net interim dividend is 0.3629p (adjusted 0.3575p) per 20p share and the directors say they would expect to pay a final of not less than the previous year's 0.745p, adjusted for a one-for-one scrip issue.

Dividend absorbs £32,279 (£51,579), after waivers of £5,487 (£5,323), leaving retained profits for the period at £59,394 (£358,067).

Royal up 8.8% so far

A BETTER than expected underwriting profit of £9.4m combined wit ha 10.5 per cent rise in investment income to £58.8m, enabled *pre-tax profits of Royal Insurance* Company to advance by 8.8 per cen tover the first half of this year to £71.6m.

After a disastrous first quarter when severe weather conditions led to an underwriting loss worldwide of £1.1m, Royal experienced its highest ever quarterly underwriting profit of £10.5m resulting in a shortfall of only £0.8m on the underwriting profit of £10.2m for the first half of 1977.

This year's record was achieved despite the adverse movements in exchange rates which cut the *underwriting profit by £1.3m over* the half year. Investment income growth was also adversely affected by exchange rate movements being £4.1m lower.

	1978 £m.	1977 £m.
New life, annuity premiums	20.6	18.8
Periodical	10.9	7.9
Single	9.7	11.0
New sums assured	5?7.6	498.7
New annuities	25.7	14.2

However, the tax charge for the period was over £4m higher at £29m, leaving net profits for the first half 4 per cent higher at £42.4m.

Premiums written world-wide by the group were 3.1 per cent *higher, but the underlying real* growth rate was 10.5 per cent. The group has now become more expensive in outlook now that the business is back on a profitable basis.

Underwriting results in the U.S., the group's major operating country, showed a profit of £0.9m compared with a loss of £6.8m in the first half of 1977. Mr. Daniel Meinertzhagen, chairman of Royal, reports that the underwriting recovery has contiqued in the U.S. despite the unusually heavy weather losses in the first quarter. There was an increase in profits from property business arising from a lower incidence of claims.

*Losses were reduced in auto*mobile, liability and workers' compensation business. The benefit of the corrective action taken a few years ago on automobile business was now coming through in the accounts. The U.S. operating ratio was 98.2 per cent in the period compared with 102.1 per cent in the first half of last year and 99.2 per cent overall for 1977.

The good second quarter results restored underwriting in the UK to profitability over the first half, although it is still very much below the level of last year. *Private motor business showed a* marginal loss on the first half and the company announced a 7 per cent average increase in motor premium rates starting in September—12 months after the previous increase. But the majority of the 300,000 motorists insured with Royal will only pay 6 per cent more on *their premium*—a much lower rise than that being made by other insurers.

A profit on all other classes of business inthe UK was recorded except for householder business which still remains the weak section. However, the situation looked much brighter in the second quarter, but the account still is in loss.

There was a reduction in the underwriting loss in Europe, the improvement coming mainly from better experience in the Netherlands with the benefit of motor rate increases. Underwriting profits continued to be made in Canada, but in Australia deteriorating market conditions resulted in a small underwriting loss. The company is holding tight in this country until conditions improve.

In other overseas areas underwriting results overall were profitable.

The interim dividend is stepped up from 6.513p net per 25p share to 7.272p and supplementary payment of 0.151p is to be made following the reduction in ACT. Last year a 9.936p final was paid on profits totalling £133.8m.

	1978 £m.	1977 £m.
Premiums written	[illegible]	[illegible]
Underwriting profit	9.4	10.2
U.S.	0.9	*6.8
Elsewhere	8.5	17.0
Long term insur. profits	2.2	1.8
Investment income	58.8	52.2
Associates profit	1.2	1.4
Profit before tax	71.6	65.8
Tax	29.0	24.8
To minorities	[illegible]	0.2
Net profit	42.4	[illegible]
Dividends	11.1	10.8
Retained	31.3	30.8

* Loss.

See Lex

Improvement for Asscd. Tooling

In line with interim anticipations and reflecting an improvement in trade over the previous year, pre-tax profits of Associated Tooling Industries rose from £72,663 to £109,356 for the year ended February 28, 1978. Turnover was marginally better at £1.45m against £1.41m.

In January, the directors forecast that second-half profit should be similar to the figure of £51,662 (£61,379) reported for the first six months.

After tax of £99,991 (£22,630) and a transfer from tax equalisation account of £38,244 (£22,900 to), profits advanced from £27,135 to £47,609 for the year.

Earnings per 25p share grew by 1.1p to 2.7p and a final dividend of 1.438321p net lifts the total payout from 2.23904p to the maximum permitted 2.538321p.

MINING NEWS

Bougainville gains on dollar repayments

BY KENNETH MARSTON, MINING EDITOR

INCREASED net earnings of K24m (£17.8m) for the past half-year compared with K13.9m in the same period of 1977 when the year's total reached K28.5m are reported by Bougainville Copper, the Rio Tinto-Zinc group's major copper-gold mine in Papua New Guinea. The 1978 interim dividend is raised to 5 toea (3.7p) from 4 toea; the 1977 total was 8 toea.

The major factor in the past half-year's higher earnings has been the revaluation of the Papuan kina against the U.S. dollar which provided exchange gains of K9.6m realised on the repayment of overseas loans. One the other hand the new rate of exchange adversely affected sales revenue, which is received in dollars.

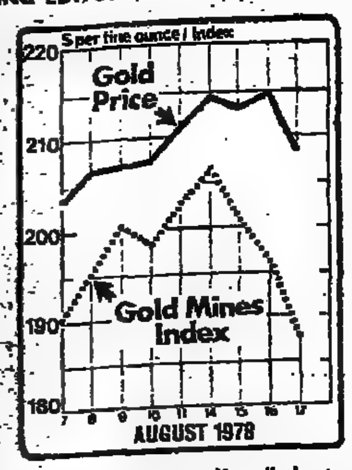
Furthermore, the mine received lower prices for its copper. But thanks to increased production coupled with a higher price for the important gold by-product and slightly lower costs, Bougainville's sales revenue still showed a marginal increase.

Loan repayments of K60.9m were made duringe the past half-year and they included the Commonwealth Trading Bank long loan of $67.4m (K50.5m) which was part of the original financing for the big operation. A loan facility for up to $60m to be provided jointly by Bank of America adn Commonwealth Trading Bank was finalised but so far there have been no drawings upon it. A K10m loan from Papua New Guinea Banking Corporation was finalised to be drawn in early July.

Although Bougainville is one of the few mines to be still making profits from copper the company regards the low level of metal prices as remaining "a source of major concern." Despite the recent improvement, "it is difficult to forecast a return to satisfactory copper pirces in the near future.

Bougainville ranks as the biggest gold mine outside South Africa—possibly the world's 12th largest producer of the metal—and the average price received in the past six months for its bullion was $174.48 per ounce compared with $142.39 in the same period of last year.

As far as the current half-year is concerned production might be a little lower than the record levels achieved in the past six month because of the anticipated marginal increase in the hardness of the ore milled. But this should be more than offset by the sharply increased gold price and the likelihood of a better return on silver nad copper. Bougainville shares rose 2p to 137p yesterday.



After its recent swift climb to record levels—in terms of U.S. dollars—the price of gold suffered a sharp reversal yesterday, closing $6½ down at $208¾ per ounce following President Carter's decision to seek a remedy for the ailing dollar. The retreat which had begun previously in London prices of South African gold shares accelerated under persistent selling from the U.S., the Continent and the Cape with the result that the Gold Mines index dropped 8.3 to 187.9.

ROUND-UP

Copper production at the Kolwezi mine in southern Zaire is reported to be back to 90 per cent of normal, at a rate of 10,000 tons a month. The Sozacom company is now again able to fulfill its contracts. The invasion of the Kolwezi area by rebels in May, 1978, brought copper production there to a standstill.

* * *

Half-year net earnings of C$7.2m (£3.2m) compared with C$10.7m a year ago are announced by Canada's Asbestos Corporation. A regular quarterly dividend of 60 cents has been declared.

* * *

Canada's Prism Resources has begun drilling on the central zone of its silver-lead-zinc property at Kathleen Lake, 75 miles east of Mayo in the Yukon. Participants in the venture are Prism with a 25 per cent interest, Siebens Oil and Gas 25 per cent, Chieftain Development 25 per cent, E and B Explorations 12.5 per cent and Asamera Oil 12.5 per cent.

MINING BRIEFS

ELECTROLYTIC ZINC—PRODUCTION STATEMENT

	Four weeks ended July 28 1978	June 30 1978
	(tons, in tonnes)	
Risdon		
Zinc	14,363	13,980
West Coast Mines		
Ore milled	47,000	52,000
Lead concentrate	1,301	916
Zinc concentrate	11,258	10,257
Copper concentrate	2,501	3,002

Confidence at D. F. Bevan

Expressing confidence that D. F. Bevan (Holdings) will make a further step forward in the current year Mr. John Wardle hopes that th eaccounts next time will give members "a pleasant *surprise.*"

Including two months contribution from Leon Berner Group acquired in February, group taxable profit for the year to March 31, 1978, was ahead to £301,164 (£211,739) on sales of £7.68m (£8.75m) and the net dividend is stepped up to 1.35117p (1.21p) per 5p share—as reported August 1.

Borrowings associated with the cash portion of the bid helped push the bank overdraft by year end up £308,654 to £633,116. Fixed assets were higher at £989,019 (£562,140).

The deferred element of the £143,063 (£107,612) tax charge for the year was £102,400 (£111,613) but Mr. Bevan comments that whether or not the comfortable low actual tax charge position continues to obtain in future years *is less certain as the substantial* tax losses which arose in the early 1970s have now been largely eliminated.

UPPER CLYDE SHIP BUILDERS

Mr. Robert C. Smith, Official Liquidator for Upper Clyde Shipbuilders, has revealed that funds in the hands of the liquidator at the year ended June 14, 1978, were just over £1.8m. A meeting of creditors is due to take place on the 29th of this month.

First Scottish American shows further growth

Further growth was achieved by First Scottish American Trust in the half-year to August 1, 1978, with net revenue up from £445,695 to £467,566 after tax of £255,761, against £261,907.

Net asset value per 25p share at half time was 133.8p (112.9p) or 133.5p (112.6) fully diluted, and the net interim dividend is maintained at 1p. Last time a final of 1.85p was paid from record total pre-tax profit of £0.93m.

Again the cost of the interim payment is £290,044 and the preference dividend £14,700.

John Michael back in profit

The directors of John Michael (Saville Row) consider that the company is returning to a period of steady growth and profitability.

For the year ended January 28, 1978, they report a profit of £72,301, against a loss of £77,250 the year before.

After tax £1,112 (credit £20,907), and extraordinary credits, the net profit comes out at £99,337, compared with £394,209.

The group designs, manufactures and retails menswear, primarily in the UK.

Airfix order books healthy

Current trading conditions at Airfix Industries have improved and the group's order books are in a healthy state, Mr. R. R. Ehrmann, the chairman, tells shareholders.

During the past year, a further £3.3m was invested in machinery and tooling for new products which a tangible indication of commitment to a prosperious future, the chairman says.

It is expected that this investment will consolidate and strengthen the group's position in the market and provide profitable occupation for the factories.

Profits amounted to £2.69m in the year to March 31, 1978, compared with £4.03m, but a considerable recovery is expected in the current year. The dividend is 3.2231p (2.8852p).

Commenting on the work done in developing the toy ranges and marketing policies, Mr. Ehrmann says this was rewarded at the 1978 Toy Rairs by an encouraging level of orders, and at Meccano orders received so far this year are around twice those obtained during the same period last year.

Due to the retirement of one of the founders of Ava International Incorporated, the U.S. distributor for Airfix and Meccano products, Airfix has increased its shareholding in that company to 37 per cent.

The industrial division improved its contribution to the group and was able to expand both its turnover and profits. The development of the Crayonne range of household accessories was again a very strong feature. The group has now acquired the outstanding 30 per cent of the capital of Crayonne, U.S.

Meeting, 17, Old Cour Place, W, September 19 at 11 am.

TDG further ahead at £10.4m for first half

MAINLY reflecting increased contributions from the road haulage companies and cold storage operations, profits before tax of Transport Development Group increased from £8.96m to £10.35m in the first half of 1978. The total profit last year was £18.08m.

After tax of £4.9m (£4.22m) net earnings per share are shown at 3.89p against 3.37p. The interim dividend is lifted from 1.125p to 1.25—the previous final was 2.06225p.

	First half 1978 £000	1977 £000
Turnover	107,442	85,392
Depreciation	5,239	4,753
Loan interest	1,155	884
Road haulage profit	4,949	4,321
Storage	4,047	3,332
Plant hire, etc.	762	733
Exhibitions	661	521
Profit before tax	10,350	8,959
Australia	906	1,061
Mainland Europe	1,123	986
UK and others	8,321	6,910
Corporation tax	2,477	1,572
Overseas tax	702	842
Deferred tax	1,739	1,902
Net profit	5,432	4,743
Minorities	225	223
Attributable	5,207	4,520

The plant hire companies performed well, the directors say. Profits of the group would have been much greater had it not been for lighterage on the Thames which produced sizeable losses.

The overseas companies marked time, but there was a welcome increase in the profits of the French companies.

Activity in the second half of the year has, so far, been much in line with that of the first six months and it looks as though these conditions are likely to continue until the year-end at least, the directors state.

The property revaluation referred to in the 1977 annual report is not yet finalised, but present indications are that the increase over book values will not be less than £21m.

However this year a new standard accounting practice requires that buildings shall be depreciated. If effect is given to the new requirement, then, on the basis of the revaluation, the annual depreciation of buildings and the increased amortisation of leaseholds will amount to approximately £1.2m.

● comment

Last year's pattern at Transport Development Group has continued into the first six months. Pre-tax profits are 15.5 per cent ahead led by an increased contribution of more than a fifth from storage activities and a 14.3 per cent rise in road haulage profits. All the improvement comes from the U.K. where the pace of economic activity over the next 18 months will be vital. TDG is the second largest road haulage group in the country, and with much of the competition knocked out by the sector's recent slump, margins are starting to edge forward again. At 7.6 per cent (7.3 per cent) they are slightly below others in the industry, but the company sees 10 per cent as a more realistic level. By contrast, some surplus capacity on the storage side has clipped margins, though a small upturn would make a big impact on profits. With the poor Australian results, offset by the boost from France, there seems no reason why the second half will not see continued growth. At 82p the shares, assuming profits of £21m stand on a fully taxed P/E of 10.6 per cent and yield a prospective 6.6 per cent.

STRATHCLYDE ALLOTMENTS

Lists for the issue of £25m Strathclyde Regional Council variable rate redeemable stock 1983 were closed at 10.01 am yesterday.

Applications up to and including £50,000 were allotted in full. Thereafter applicants receive 98 per cent of the amount applied for.

Brokers to the issue were R. Nivison and Co.

Albright & Wilson upsurge

ON SALES ahead from £165.14m to £177.2m pre-tax profit of Albright and Wilson climbed from £16.14m to £18.81m in the first half of 1978.

The result is after depreciation of £4.04m (£3.86m), and includes investment income down from £2.07m to £1.42m and associate company profits of £410,000 (£339,000). Interest cost £2.65m (£2.55m).

Tax took £8.19m (£7.61m) and attributable profit came out at £10.26m (£7.14m) after minority interests £296,000 (£246,000). Last time there was a £1.08m extraordinary debit.

Directors say substantially higher profits were reported from Canada where the Long Harbour phosphorus plant performed well and produced better results than in the first half of 1977 when only one furnace was in operation. The pulp and paper chemicals sector produced good results with markets being strong. Elsewhere overseas, profits were similar to those for the first half of 1977. UK profits were adversely affected by poor demand, particularly in export markets, and by labour difficulties. However, the fertiliser business showed improvements over the unsatisfactory result of the first half of 1977 and the flavours sector produced increased profits.

The capital expenditure programme continued to accelerate with £19m spent in the period compared with £9.5m in the first six months of 1977.

Earnings per 25p share are so shown at 8.7p (7p). The company is now controlled by Tenneco Inc of the U.S.

Corah advances to £1.7m midway

A 19 PER CENT rise in pre-tax profit from £1.43m to £1.71m is reported by Corah, knitted clothing and fabrics group whose principle customer is Marks and Spencer, for the June 30, 1978 half year. Turnover advanced 12 per cent to £17.85m.

Mr. G. N. Corah, the chairman, says that although the first three months did not measure up to expectations, progress since has been encouraging, resulting in the maintenance of the group's growth trend.

For the future he says that in both Canada tand the UK, order books for the second half are strong, and the prime task will continue to be development of production to meet this growing demand. Directors therefore expect a period of sustained growth for the remainder of the year.

In the first half, the Canadian operation experienced difficult trading conditions but the outlook for the second half has improved considerably.

Mr. Corah says the group continues to develop exports, with first half overseas sales up 21 per cent. to £2.35m.

After tax of £889,000 (£743,000), net profit was £820,000 (£685,000). The interim dividend is lifted from 0.8p net per 25p share to 0.9p, and will absorb £265,000 (£235,000). Last year a 1.85138p total was paid on record profits of £3.32m.

● comment

Although first quarter trading was flat, the increase in consumer spending after March lifted Corah's interim profits by a fifth, compared with Nottingham Manufacturing's one-tenth rise over the same period. The better results are probably due to the fact that Corah has no tufted carpet interests to hold it back and that Marks and Spencer, which has been making encouraging noises about textile sales, accounts for around two-thirds of group turnover, against NM's one-third. Corah's sales by UK subsidiaries—14 per cent higher at £16.43m—were helped by a 64 per cent jump in direct exports, but Canadian sales, although 12 per cent higher in dollar terms, slipped slightly after conversion into sterling. Like other textile companies, Corah should now start benefitting fro mthe Multi-fibre Arrangement, which will restrict cheap imports into the UK. Meanwhile, the company is increasing production capacity to meet current orders and profits of around £4m should be possible for the year (a one-fifth increase). At this level the shares at 40½p, are on a p/e of around 8 (fully taxed) while the yield, assuming a 10 per cent dividend increase, is 7.8 per cent. This compares with 8.6 and 4.2 per cent respectively on a comparable tax charge for Nottingham Manufacturing.

Needlers at £168,700 midway

WITH TURNOVER up slightly from £2.57m to £2.59m, Needlers, chocolate and confectionery group, achieved a pre-tax profit of £168,700 in the 25 weeks to June 24, 1978, compared with a £35,200 loss.

Directors say the profitability established from Easter, 1977, has continued and they expect the level to be maintained for the rest of the year. For all last year pre-tax profit totalled £201,015.

They say the group's capital spending programme is continuing, with the new office site occupied on schedule. Some essential replacements are under way and major new plant investment is under review.

Negretti & Zambra

Shareholders of Negretti and Zambra have overwhelmingly approved the company's proposed new financial arrangements with the National Enterprise Board.

Under last month's agreement the NEB is to subscribe for 460,622 9 per cent convertible cumulative redeemable preference shares of £1 each and 960,000 deferred ordinary shares at 74p.

Unigate sales still steady despite milk price rise

DESPITE the doubling in price, from 6p to 12½p a pint over three years, milk sales of Unigate have suffered less than the national average, Mr. J. Clement, the chairman, says in his annual report.

Mr. Clement says the Common Market decision to use some of its funds to supply free school milk to children up to the age of 11, is likely to boost sales.

"We are naturally disappointed that many local authorities are refusing to take advantage of the EEC scheme, but we are confident that in the long-term interests of the health of the children, hey will change their minds," the chairman says.

Milk and milk products accounted for 83 per cent of the group's record £31.46m pre-tax profit for the year to March 25, 1978, a rise of 38 per cent on the previous year's £22.79m. The total dividend is raised from 3.08p to 3.43p.

On dairy products, Mr. Clement says the market remains depressed with continuing high production throughout the Common Market not being matched by demand.

An analysis of turnover and profit before interest and tax by areas shows (£000): U.K. £854,000 and £29,776 (£770,000 and £22,286); U.S. £43,000 and £2,503 (£39,000 and £2,577); Australia and New Zealand £88,000 and £1,581 (£30,000 and £1,650); other countries £39,000 and £3,169 (£24,000 and £1,911).

An analysis of turnover and profit by activity shows (£000): milk and milk products, £806,000 and £30,640 (£727,000 and £22,487); meat and meat products, £111,000 and £3,685 (£85,000 and £3,556); transport and engineering and other activities £57,000 and £2,704 (£51,000 and £2,381).

In the UK the situation was aggravated by imports from other member states of the Common Market in anticipation of higher prices caused by devaluations of the Green pound the internal, agricultural currency, and the final transitional step to Common Market price levels at the end of 1977.

"Our European competitors helped by the high compensatory amounts they receive on imports to this country have gained a foothold in the UK markets which they are naturally reluctant to lose," says Mr. Clement.

Good progress has been made in reducing stock levels, and as a result of lower stock and reduced interest rates, financing costs have fallen.

The over-supply position in both the butter and cheese markets remains and continues to be aggravated by the duration and size of the Common Market butter subsidy and the uncertain position regarding New Zealand supplies of cheese this year.

The directors, he adds, have continued to consolidate interests in Ireland where there is an "excellent" relationship with the dairy industry.

The directors are recommending an increase in the authorised share capital of 30m new ordinary shares to provide greater flexibility, and such a resolution will be put to the annual meeting.

The increase is to take into account the number of shares that may be issued on the full exercise of the conversion rights attaching to the 6½ per cent convertible unsecured loan stock 1992-97, and the number of ordinary shares recently issued in connection with the acquisition of Carding Group.

Capital spending by Unigate was £28.5m compared with a depreciation charge of £12.8m.

HOVERINGHAM PURCHASE

For £567,364 cash Hoveringham Group has acquired the capital of GBC (Ribble) Sand, which was formed to operate an agreement valid until December 31, 1988, with the Preston Borough Council for the removal of sand dredged from the River Ribble.

Book value of the net tangible assets of GBC at June 30, 1978, was £110,105 before deferred taxation of £152,029 in respect of the excess of capital allowances over the cumulative depreciation charge.

This does not include any value attributable to the operating agreement with the Preston Borough Council.

Trading profit before tax and intercompany management charges for the year ended June 30, 1978, amounted to £91,826.

Progress by Danks & Gowerton

FOLLOWING A fall in first half earnings from £446,867 to £347,854, Danks Gowerton recovered in the second six months of the March 31, 1978, year to post a record taxable profit of £1 against 0896m last time.

Turnover was up from £17.0m to £20.36m and there is no tax charge owing to stock appreciation relief compared with £43,973 previously.

Earnings per 25p share of the steel processor, and boiler and plant maker are shown ahead fro m23.658p to 26.496p, and the final dividend of 1.936p takes the total from 2.350138p to 2.636p.

Mr. A. J. S. Roe, the chairman, says that in the engineering division an industrial dispute affecting the main supplier of industrial gases, combined with a substantial order intake in the second half of the year, resulted in a relatively high volume of work in progress at the year end.

For the future he says the engineering division has entered the new year with a substantial order book and is operating at record production levels. This has been made possible by the addition of the Oldbury works.

In the steel division a reasonable start to the current year has been achieved with an increase in volume over the comparative period last year and improved margins, partly as a result of the Davignon plan. Liquidity has improved considerably and there is optimism of a higher demand in the latter half of the year.

With greater utilisation of the group's facilities at Oldbury and careful control of costs, he is confident that the current 12 months will be a record for the group.

INVESTMENT TRUST COMPANIES

The information in the columns below is supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures, which are in pence except where otherwise stated, are unaudited.

Total Assets less current liabilities (1) £million	Company (2)	Shares or Stock (3)	Date of Valuation (4)	Annual Dividend (5)	Net Asset Value after deducting prior charges: at nominal value (6)	at market value (7)	Investment Currency Premium (see note g) (8)
				Pence except where £ stated (see note d)			
	VALUATION MONTHLY						
161.8	Alliance Trust	Ordinary 25p	31/7/78	7.1	301.7	310.1	38.8
91.3	Anglo-American Securities Corpn.	Ordinary 25p	31/7/78	3.0	137.3	143.1	19.2
135.3	British Investment Trust	Ordinary 25p	31/7/78	4.85	204.3	207.5	27.8
†	Capital & National Trust	Ord. & "B" Ord. 25p	31/7/78	†	†	†	†
10.9	Claverhouse Investment Trust	Ordinary 50p	31/7/78	3.8	109.5	109.5	0.2
11.2	Crossfriars Trust	Ordinary 25p	31/7/78	2.7	111.8	111.8	—
16.9	Dundee & London Investment Trust	Ordinary 25p	31/7/78	2.3	92.0	93.2	7.4
95.1	Edinburgh Investment Trust	£1 Deferred	31/7/78	6.75	296.3	311.7	25.7
47.9	First Scottish American Trust	Ordinary 25p	1/8/78	2.85	133.5	135.3	29.0
12.6	Grange Trust	Ord. Stock 25p	31/7/78	2.1	110.1	114.3	7.4
73.5	Great Northern Investment Trust	Ordinary 25p	31/7/78	3.57	143.9	146.7	11.3
86.4	Guardian Investment Trust	Ordinary 25p	31/7/78	2.9	113.0	117.6	9.3
86.3	Investors Capital Trust	Ordinary 25p	31/7/78	1.75	109.5	115.1	18.3
24.8	Jardine Japan Investment Trust	Ordinary 25p	31/7/78	0.85	213.2	213.2	61.3
38.0	London & Holyrood Trust	Ordinary 25p	31/7/78	3.6	165.1	168.8	21.3
26.9	London & Montrose Invest. Trust	Ordinary 25p	31/7/78	3.25	271.2	273.2	37.0
50.6	London & Provincial Trust	Ordinary 25p	31/7/78	3.4	157.4	159.9	21.7
112.1	Mercantile Investment Trust	Ordinary 25p	31/7/78	1.25	58.1	62.4	4.2
	Do. Do.	Conv. Debs. 1983	31/7/78	£4.50	£88.10	£93.50	£6.30
28.1	North Atlantic Securities Corpn.	Ordinary 25p	31/7/78	2.7	127.9	130.8	16.9
58.1	Northern American Trust	Ordinary 25p	31/7/78	2.85	141.2	144.6	21.8
8.2	Save & Prosper Linked Invest. Trust	Capital Shares	31/7/78	—	172.4	172.4	—
131.7	Scottish Investment Trust	Ord. Stock 25p	31/7/78	2.56	138.6	142.5	15.2
58.9	Scottish Northern Investment Trust	Ordinary 25p	31/7/78	3.36	138.3	146.5	13.4
‡117.0	Scottish United Investors	Ordinary 25p	31/7/78	1.6	104.9	107.9	18.3
53.1	Second Alliance Trust	Ordinary 25p	31/7/78	5.63	257.4	265.8	33.6
4.1	Shires Investment Co.	Ordinary 30p	31/7/78	8.404	160.8	160.3	—
44.5	Sterling Trust	Ordinary 25p	31/7/78	5.3	247.0	253.6	30.5
29.1	Technology Investment Trust	Ordinary 25p	31/7/78	2.6	143.1	148.4	18.8
79.2	United British Securities Trust	Ordinary 25p	31/7/78	4.44	178.7	178.0	21.3
22.7	United States & General Trust	Ordinary 25p	31/7/78	5.94	269.2	275.8	33.7
91.0	United States Debenture Corporation	Ord. Stock 25p	31/7/78	3.52	125.0	120.2	15.9
	Do. Do.	Conv. Loan 1993	31/7/78	£5.00	£137.50	£142.20	£17.50
	Baillie Gifford & Co.						
‡131.4	Scottish Mortgage & Trust	Ordinary 25p	31/7/78	3.3	136.4	138.7	10.0
62.6	Monks Investment Trust	Ordinary 25p	31/7/78	1.6	70.7	71.5	8.0
16.8	Winterbottom Trust	Ordinary 25p	31/7/78	4.6	270.4	291.9	38.4
	Baring Bros. & Co. Ltd.						
47.8	Outwich Investment Trust	Ordinary 25p	31/7/78	1.525	72.6	76.4	6.4
28.2	Tribune Investment Trust	Ordinary 25p	31/7/78	ac1.4	97.8	98.0	15.7
	East of Scotland Invest. Managers						
46.2	Aberdeen Trust	Ord. Stock 25p	31/7/78	5.05	192.4	201.9	18.5
	Edinburgh Fund Managers Ltd.						
63.1	American Trust	Ord. & "B" Ord. 25p	31/7/78	*1.35	61.4	63.5	0.3
22.0	Crescent Japan Investment Trust	Ordinary 50p	31/7/78	—	240.1	240.1	53.9
	Electra Group Services Ltd.						
‡70.8	Electra Invest Trust	Ordinary 25p	31/7/78	5.0	149.4	149.4	10.2
‡288.1	Globe Investment Trust	Ordinary 25p	31/7/78	5.0	165.9	166.2	11.0
	Do. Do.	Conv. Loan 1987/91	31/7/78	£5.50	£144.20	£144.40	£9.50
	Do. Do.	Conv. Loan 1985/90	31/7/78	£6.25	£190.80	£191.10	£12.60
38.0	Temple Bar Investment Trust	Ordinary 25p	31/7/78	4.75	125.3	127.6	3.1
	Do. Do.	Conv. Loan 1983/88	31/7/78	£5.75	£142.80	£145.40	£3.50
	Do. Do.	Conv. Loan 1987/91	31/7/78	£6.00	£107.70	£109.70	£2.60
	F. & C. Group						
21.2	Alliance Investment	Ordinary 25p	31/7/78	3.0	156.3	160.4	19.4
23.7	Cardinal Investment Trust	Deferred 25p	31/7/78	3.9	162.2	167.6	17.4
	Do. Do.	Conv. Loan 1985/87	31/7/78	£6.00	£131.40	£135.80	£14.10
†	F. & C. Eurotrust	Ordinary 25p	31/7/78	†	†	†	†
199.9	Foreign & Colonial Invest. Trust	Ordinary 25p	31/7/78	3.77	245.3	254.1	39.0
32.0	General Investors & Trustees	Ordinary 25p	31/7/78	4.0	154.3	158.9	14.9
	James Finlay Invest. Mgmt. Ltd.						
†	Provincial Cities Trust	Ordinary 25p	31/7/78	†	†	†	†
	Gartmore Investment Ltd.						
7.4	Altifund	Income 50p	31/7/78	8.3	101.8	101.8	7.3
	Do. Do.	Capital 50p	31/7/78	0.415	310.2	310.2	7.2
26.5	Anglo-Scottish Investment Trust	Ordinary 25p	31/7/78	1.6875	64.7	66.9	6.3
28.4	English & Scottish Investors	Ord. & "B" Ord. 25p	31/7/78	*2.43	106.6	112.2	9.0
8.0	Group Investors	Ordinary 25p	31/7/78	1.9	90.8	94.4	10.6
25.5	London & Gartmore Invest. Trust	Ordinary 50p	31/7/78	0.5	98.5	103.4	17.9
12.1	London & Lennox Invest. Trust	Ord. & "B" Ord. 25p	31/7/78	*ac1.867	ac75.1	ac77.5	ac10.6
24.5	London & Lomond Invest. Trust	Ordinary 25p	31/7/78	2.7	110.0	112.4	10.1
11.1	London & Strathclyde Trust	Ordinary 25p	31/7/78	1.375	58.9	62.6	6.9
12.5	Meldrum Investment Trust	Ordinary 25p	31/7/78	1.85	61.8	61.8	0.4
6.4	New York & Gartmore Investment	Ordinary 25p	31/7/78	0.4	41.5	41.5	5.6
	Gartmore Investment (Scotland) Ltd.						
78.3	Scottish National Trust	Ordinary 25p	31/7/78	3.45	212.6	216.2	29.9
19.0	Glasgow Stockholders Trust	Ordinary 25p	31/7/78	2.4	147.6	151.7	21.5
	John Govett & Co. Ltd.						
90.3	Border & Southern Stockholders	Ordinary 10p	31/7/78	1.5	87.1	86.6	10.5
37.8	Debenture Corporation	Ordinary 25p	31/7/78	1.4	91.2	93.1	6.8
13.1	General Stockholders Invest. Trust	Ordinary 12½p	31/7/78	2.3	160.6	171.7	27.3
21.0	Govett European Trust	Ordinary 25p	31/7/78	1.8	90.4	90.4	12.9
65.7	Lake View Investment Trust	Ordinary 25p	31/7/78	2.4	135.9	139.8	16.4
	Do. Do.	Conv. Loan 1973/88	31/7/78	£4.00	£181.20	£156.40	£21.90
67.6	Stockholders Investment Trust	Ordinary 25p	31/7/78	2.35	140.8	145.6	20.1
	G.T. Management Ltd.						
‡20.3	Berry Trust	Ordinary 25p	31/7/78	0.875	97.7	97.2	9.1
	Do. Do.	Conv. Loan 1993	31/7/78	£4.25	£141.70	£141.70	£13.30
‡23.0	G.T. Japan Investment Trust	Ordinary 25p	31/7/78	1.0	229.1	229.1	61.6
	Do. Do.	Conv. Loan 1987	31/7/78	£8.50	£142.00	£142.00	£38.20
7.6	Northern Securities Trust	Ordinary 25p	31/7/78	3.0	176.9	181.6	23.2
	Hambros Group						
28.4	Bishopsgate Trust	Ordinary 25p	31/7/78	6.25	271.5	281.2	22.3
4.3	City of Oxford Investment Trust	Ordinary 25p	31/7/78	3.3	92.3	95.6	—
‡51.0	Hambros Investment Trust	Ordinary 25p	31/7/78	3.73	143.5	134.0	15.7
7.3	Rosedimond Investment Trust	Capital 25p	31/7/78	—	131.6	131.6	4.7
	Henderson Administration Ltd.						
‡168.3	Witan Investment	Ord. & "B" Ord. 25p	31/7/78	*2.3	132.0	137.6	19.0
21.1	Electric & General Investment	Ordinary 25p	31/7/78	1.35	108.4	109.6	16.2
7.3	Greenfriar Investment	Ordinary 25p	31/7/78	1.45	136.6	136.8	17.7
4.6	Lowland Investment	Ordinary 25p	31/7/78	2.2	71.9	71.9	3.0
2.3	English National Investment	Prefd. Ord. 25p	31/7/78	1.82	34.4	35.5	—
[illegible]	Do. Do.	Defd. Ord. 25p	31/7/78	2.42	62.8	66.9	—
	Philip Hill (Management) Ltd.						
20.9	City & International Trust	Ordinary 25p	31/7/78	4.07	133.6	138.4	10.4
[illegible]	General & Commercial Inv. Trust	Ordinary 25p	31/7/78	5.62	184.9	194.4	12.2
23.9	General Cons. Investment Trust	Ordinary 25p	31/7/78	3.75	112.8	115.6	7.4
‡185.1	Philip Hill Investment Trust	Ordinary 25p	31/7/78	7.9	244.3	248.3	9.0
5.4	Moorgate Investment Co.	Ordinary 25p	31/7/78	3.82	106.9	109.4	2.0
39.5	Nineteen Twenty-Eight Inv. Trust	Ordinary 25p	31/7/78	ac2.92	ac92.5	95.5	9.8
	Industrial & Comml. Finance Cpn.						
10.8	London Atlantic Investment Trust	Ordinary 25p	31/7/78	3.0	89.3	90.7	4.3
6.4	North British Canadian Investment	Ordinary 25p	31/7/78	2.7	86.4	86.4	0.8
	Ivory & Sime Ltd.						
46.0	Atlantic Assets Trust	Ordinary 25p	31/7/78	0.4	142.6	149.0	31.0
113.9	British Assets Trust	Ordinary 25p	31/7/78	2.6	96.4	104.0	16.6
37.0	Edinburgh American Assets Trust	Ordinary 25p	31/7/78	1.1	158.7	161.7	38.2
14.5	Viking Resources Trust	Ordinary 25p	31/7/78	1.1	125.7	125.7	15.8
	Keyser Ullmann Ltd.						
11.7	Throgmorton-Secured Growth Tst.	£1 Capital Loan Stock	31/7/78	—	—	172.3	—
44.8	Throgmorton Trust	Ordinary 25p	31/7/78	4.375	96.8	98.6	—
	Kleinwort Benson Ltd.						
29.4	British American & General Trust	Ordinary 25p	31/7/78	1.725	56.5	57.6	4.0
23.3	Brunner Investment Trust	Ordinary 25p	31/7/78	3.5	139.9	142.6	11.6
34.0	Charter Trust & Agency	Ordinary 25p	31/7/78	3.3	78.5	80.7	7.4
44.3	English & New York Trust	Ordinary 25p	31/7/78	3.0	104.3	106.3	9.8
†	Family Investment Trust	Ordinary 25p	31/7/78	†	†	†	†
†	Jos Holdings	Ordinary 25p	31/7/78	†	†	†	†
6.8	London Prudential Invest. Trust	Ordinary 25p	31/7/78	2.85	107.6	110.3	8.5
†	Merchant Trust	Ordinary 25p	31/7/78	†	†	†	†
	Lazard Bros. & Co. Ltd.						
155.1	Raeburn Investment Trust	Ordinary 25p	31/7/78	3.7	178.3	184.5	23.0
143.7	Romney Trust	Ordinary 25p	31/7/78	2.65	128.6	131.0	17.1
	Martin Currie & Co., C.A.						
12.0	Canadian & Foreign Invest. Trust	Ordinary 25p	31/7/78	3.6	160.8	164.5	10.7
20.8	St. Andrew Trust	Ordinary 25p	31/7/78	4.15	165.8	170.7	10.6
†	Scottish Eastern Investment Trust	Ordinary 25p	31/7/78	4.5	†	†	†
27.5	Scottish Ontario Investment Co.	Ordinary 25p	31/7/78	2.05	94.1	95.5	14.7
30.0	Securities Trust of Scotland	Ordinary 25p	31/7/78	6.1	245.8	265.6	36.3
	Murray Johnstone Ltd.						
49.4	Caledonian Trust	Ord. & "B" Ord. 25p	31/7/78	*1.85	112.6	116.1	20.3
74.4	Clydesdale Investment Trust	Ord. & "B" Ord. 25p	31/7/78	*1.675	107.8	110.5	19.7
18.1	Glendevon Investment Trust	Ord. & "B" Ord. 25p	31/7/78	*1.65	140.4	143.7	27.7
7.3	Glenmurray Investment Trust	Ord. & "B" Ord. 25p	31/7/78	*1.7	108.8	108.8	18.5
82.9	Scottish Western Investment	Ord. & "B" Ord. 25p	31/7/78	*2.2	134.1	139.2	23.8
27.0	Second Great Northern Invest. Tst.	Ord. & "B" Ord. 25p	31/7/78	*2.0	122.4	123.0	22.5
	Schroder Wagg Group						
23.2	Ashdown Investment Trust	Ordinary 25p	31/7/78	4.05	199.1	205.5	23.8
	Do. Do.	Conv. Loan 1988/93	31/7/78	£4.75	£139.40	£143.90	£18.10
7.7	Australian & International Trust	Ordinary 50p	31/7/78	2.7	129.0	129.0	24.2
32.4	Broadstone Investment Trust	Ordinary 20p	31/7/78	5.15	215.1	224.3	27.5
	Do. Do.	Conv. Loan 1988/93	31/7/78	£4.50	£143.40	£149.60	£18.30
150.2	Continental & Industrial Trust	Ordinary 25p	31/7/78	6.4	266.7	277.2	19.1
32.7	Trans-Oceanic Trust	Ordinary 25p	31/7/78	5.0	252.1	258.6	35.0
	Do. Do.	Conv. Loan 1988/93	31/7/78	£4.50	£157.60	£161.60	£21.90
14.4	Westpool Investment Trust	Ordinary 25p	31/7/78	3.3	151.1	154.3	20.0
	Do. Do.	Conv. Loan 1989/94	31/7/78	£5.00	£136.00	£138.90	£15.00
	Stewart Fund Managers Ltd.						
50.4	Scottish American Investment Co.	Ordinary 50p	31/7/78	2.6	116.4	117.8	10.3
13.3	Scottish European Investment Co.	Ordinary 25p	31/7/78	1.5	58.3	58.3	5.7
	Touche Remnant & Co.						
111.9	Atlas Electric & General Trust	Ordinary 25p	31/7/78	1.9	88.2	91.1	6.2
33.2	Bankers' Investment Trust	Ordinary 25p	31/7/78	2.55	78.7	83.4	6.2
33.5	Cedar Investment Trust	Ordinary 25p	31/7/78	2.5	94.0	96.5	7.8
42.7	City of London Brewery	Deferred 25p	31/7/78	2.76	81.8	86.1	1.4
32.0	Continental Union Trust	Ordinary 25p	31/7/78	3.5	169.5	175.0	17.8
16.4	C.L.R.P. Investment Trust	Ordinary 25p	31/7/78	1.9	97.9	102.3	8.1
188.6	Industrial & General Trust	Ordinary 25p	31/7/78	1.75	76.8	79.1	6.9
42.6	International Investment Trust	Ordinary 25p	31/7/78	2.62	107.5	112.8	7.6
56.2	Sphere Investment Trust	Ordinary 25p	31/7/78	3.3	165.7	170.4	15.7
68.2	Trustees Corporation	Ordinary 25p	31/7/78	4.85	204.3	210.1	13.0
37.8	Trust Union	Ordinary 25p	31/7/78	3.4	152.6	157.0	9.9
	Williams & Glyn's Bank Ltd.						
‡14.1	Sizewell European Invest. Trust	Ordinary 10p	31/7/78	1.5	108.1	108.1	10.9
3.1	Atlanta Baltimore & Chicago	Ordinary 10p	31/7/78	0.5	71.7	71.7	7.2
‡3.8	West Coast & Texas Regional	Ordinary 10p	31/7/78	0.75	91.0	91.0	11.6
	VALUATION THREE-MONTHLY						
2.7	Cumulus Investment Trust	Ordinary 25p	31/7/78	0.8	45.7	47.6	4.4
29.5	Hume Holdings	"A" & "B" Ord 25p	30/6/78	*6.875	x93.3	x98.0	0.3
7.6	Oil & Associated Investment Trust	Ordinary 25p	30/6/78	2.0955	73.0	74.0	8.6
	Do. Do.	Conv. Loan Stock	30/6/78	£6.25	£164.30	£166.50	£19.40
11.2	Safeguard Industrial Investments	Ordinary 25p	30/6/78	3.6	95.4	97.0	—
	Carliol/Tyneside Group						
21.3	Carliol Investment Trust	Ordinary 25p	31/7/78	3.85	174.6	179.9	25.0
	Do. Do.	Conv. Loan 1994/99	31/7/78	£4.50	£150.20	£154.70	£21.50
12.1	Tyneside Investment Trust	Ordinary 25p	31/7/78	3.85	164.4	168.4	23.5
	Do. Do.	Conv. Loan 1994/99	31/7/78	£4.50	£141.40	£144.80	£20.20
	East of Scotland Invest. Managers						
12.1	Dominion & General Trust	Ordinary 25p	31/5/78	7.75	263.0	272.7	30.7
30.5	Pentland Investment Trust	Ordinary 25p	31/5/78	4.05	162.5	167.0	21.3

Applies to Ordinary/"A" Ordinary only. ‡ Includes special dividend. ac Adjusted for scrip issue. ar Adjusted for rights issue. † Company will announce year-end or interim results shortly. ‡ See note (h) below. ⊕ Not directly comparable with previous published figure. B Dependent on "B" share conversions. . Change in the prior charges since the previous published figure.

Notes:—

(a) Cols. 1, 6, 7 — Quoted investments are valued at mid-market prices; unquoted at directors' valuation; both include 100 per cent. of any investment currency premium after taking into account the premium on any surplus or on any shortfall of foreign currency assets against foreign currency loans.

(b) Cols. 1, 6, 7 — All revenue account items are excluded.

(c) Cols. 1, 6, 7 — No account has been taken of any liability in respect of taxable gains which might arise on future disposal of investments.

(d) Cols. 5-8 — Amounts are per share/stock unit or per £100 Convertible Loan Stock. Column 5 precisely stated: columns 6-8 to nearest one-tenth of a penny per share and 10p per £100 Convertible Loan Stock.

(e) Col. 5 — Dividend is the last declared annual dividend or firm forecast, excluding imputation credit. Interest on loan stocks is stated gross of income tax.

(f) Cols. 6-7 — Prior charges are deemed to include preference share capital.

(g) Col. 8 — The amount per share/stock unit represented by 100 per cent. of the investment currency premium applied in calculating the valuation for Cols. 1, 6 and 7.

(h) Cols. 6-8 — Convertible loan/preference stocks are treated in the way which produces the lower n.a.v. per share. Convertible stocks are treated as fully converted at the rate for the next conversion date, or where a figure is marked "x" as prior charges; warrants or subscription rights are treated as unexercised.

Strong showing outside Germany lifts Hoechst

BY GUY HAWTIN

FRANKFURT, August 17.

HOECHST, one of West Germany's "big three" chemical groups, reports an upturn in profits for the second quarter of 1978 and expects the improvement to continue through the rest of this year. Earlier this week the Dutch chemical major Akzo also reported a substantial second quarter recovery.

This is good news for Hoechst shareholders who were given a disappointing report on the first three months' progress at the annual meeting in June. While the statement on the first half of 1978 still shows a decline in overall profit, figures calculated on the basis of a "half-yearly average" show that during the six months pre-tax earnings were running ahead of last year.

Group first half sales this year totalled DM 12.13bn ($6bn) against DM 11.73bn. This was an increase of 3.4 per cent on first half 1977 and 4.1 per cent on a half yearly average of 1977's performance. Profits before tax totalled DM 550m

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($279.5m) down 12.7 per cent on the DM 630m of the opening six months of 1977.

Today's figures show that growth in the domestic market is lagging *behind* performance outside Germany. Group domestic sales rose 1.7 per cent—both compared with first half 1977 and a half-year average basis—from DM 3.86bn to DM 3.93bn. Sales abroad, on the other hand, were up 4.2 per cent from first half 1977's DM 7.87bn to DM 8.2bn on a half year average.

The group commented that first-half 1978 had brought with it no upward trend in the West European economy, nor, despite increased activity in the U.S., a stabilisation of the economic this, said the report, group sales rose in the second quarter of 1978 both in comparison with the first three months of the current year and the second *quarter of 1977.*

First half sales rise at BMW

BY OUR OWN CORRESPONDENT

FRANKFURT, August 17.

GROUP TURNOVER of BMW (Bayerische Motoren Werke) for the first half of 1978 rose by 15.7 per cent to DM 3.26bn ($1.68bn). Volume sales increased by 9.6 per cent to 164,561 units, of which domestic customer took 78,598—5.5 per cent more than in last year's first half.

The BMW parent concern's *turnover during the first half* rose by 18.6 per cent from DM 2.51bn to DM 2.98bn ($1.51bn). The main impetus of the expansion came from the foreign market, where sales increased by 22.3 per cent to DM 1.45bn.

The interim report says the *full year will see a further in*crease in sales and satisfactory profits. This is in spite of the fact that labour troubles in the metal industry at the beginning of the year meant that BMW's motorcycle manufacturing operations failed to equal the production and volume sales levels of last year's first half.

SKF operating income up

BY JOHN WALKER

STOCKHOLM, August 17.

SALES FOR the Swedish SKF bearings, steel and machine tool *group increased by 21 per cent* to SKr 4.7bn during the first six months of this year. Operating income after depreciation rose by 9 per cent to SKr 244m.

Volume sales increased in all product sectors, particularly in special steel and cutting tools, together with certain price increases which contributed to the greater turnover. Roller bearing sales rose by 18 per cent, steel sales by 26 per cent, and cutting tools by 33 per cent.

Operating incoem was after depreciation of Skr 226m. A *"favourable profit development"* during the second quarter was influenced by a marked upturn in sales. Measres taken to reduce inventory levels caused further weakening of an already low capacity utilisation in the roller bearing sector. Profits were consequently restricted in this field, which nonetheless con*tinues to generate the greater* part of group income.

Steel sector losses were reduced considerably compared with the same period in the preceding year, due to the reorgan*isation at SKF Steel and in*creased marketing and other measures.

Parent company turnover passed the billion kronor mark for the first time at SKr 1.0bn. Despite Sweden's weak business climate, home sales rose from SKr 246m to SKr 273m.

Prospects for the second half of this year for maintaining the improved sales levels are considered good.

Second tier Dutch banks well ahead

BY CHARLES BATCHELOR

AMSTERDAM, August 17.

THE second tier of Dutch banks traded very profitably in the first half of 1978. Increases in net pfrofit of nearly one-third are reported by Nederlandse Credietbank, the medium-sized commercial bank, and by Westland-Utrecht, the country's largest independent mortgage bank. Profits rose more rapidly than business volume, and the increases were also greater than those recently announced by Amro, ABN and NMB.

Credietbank reported a 28 per cent rise in net profits over the first half of 1977 to Fl 9.5m ($4.5m) and a balance-sheet total 7 per cent higher than the end of 1977 at Fl 8.55bn ($4.05bn) Gross profits were 29 per cent higher at Fl 26.6m. Fl 81.5m. Revenue was 20 per cent higher at Fl 108.1m. Credietbank transferred Fl 10.1m to its reserves

Westland-Utrecht's net profit rose 27 per cent to Fl 28.7m ($13.6m) in the first half of 1978 compared with the same period of 1977. Operating profit was 9 per cent higher at Fl 58.7m. Net profit in the second quarter Fl 15.5m compared with the same *period of 1977. This was after* several provisions charged directly against the operating result. The bank's mortgage portfolio rose 13 per cent net to Fl 9.06bn.

Dutch hopes on Fokker deal

BY OUR OWN CORRESPONDENT AMSTERDAM, August 17.

THE DUTCH arm of the Fokker aircraft group hopes that the planned merger between the West German side of the company and Messerschmitt-Boelkow-Blohm (MBB) will be only the first step towards a fully integrated German-Dutch aircraft industry.

Talks now going on between MBB, the German Government and Fokker are expected to lead to the Dutch part of Fokker being left with a minority stake in the new German company.

The Dutch arm of Fokker will insist on at least a blocking share in the new company

Woolworth earnings increase sharply

By Our Financial Staff

ONE OF the leading U.S. store groups, F.W. Woolworth, produced massive gainst in second quarter and first half earnings, but warned that the rapid rate of improvement would not continue for the whole year.

At the halfway stage, earn*ings were up by more than 150* per cent to $26.2m; per share, they amounted to 83 cents compared with 29 cents. Sales advanced from $2.44bn to $2.65bn. Woolworth benefited form a sharp spurt in profits in the second three months to $15.9m from $3.35m, a gain of almost 375 per cent.

During the second quarter, the U.S. group's 52.7 per cent equity in the net income of Woolworth of the UK brought a loss of $1.77m, against a $410,000 profit previously. For the half year, there was a profit of $2.21m compared with $1m last year.

This por return is explained by the weak dollar rate and required accounting principles regarding valuations of inventories and liabilities.

Mr. Edward F. Gibbons, chairman and chief executive, said that the company expected continued sales and profit gains in the third quarter, cautioning, however, that the second quarter rate should not be projected for the full 12 months.

Another store concern, Carter Hawley Hale, announced a more modest gain for its fourth quarter to $7.7m from $6.7m on sales up to $424m from $325m. On a per share basis, earnings were 34 cents against 30 cents. Carter Hawley's net income for the full year rose, to $52m from $43m — $2.45 a share after $2.01 — with sales advancing to $1.84bn from $1.41bn. The latest periods include the operations of John Wanamaker from May.

May Department Stores showed a small second quarter improvement, net earnings of $13.8m or 61 cents a share, comparing with $12.4m or 54 cents a share in 1977.

Earnings for the half-year were $20.9m or 93 cents a share, against $20.2m or 89 cents a share previously, on sales of $954m, against $1.04bn.

For the full year, net earnings totalled $84m or $3.94 a share, against $69.7m or $3.28 a share previously.

NORTH AMERICAN NEWS

Gulf Oil to divert uranium production from Canada

BY DAVID LASCELLES

NEW YORK, August 17.

GULF OIL, which is involved in a complex—and costly—legal wrangle over uranium supplies, has announced that it will divert production from its Canadian mines to meet the needs of its subsidiary General Atomic, which makes nuclear power stations and supplies the fuel to run them.

This company, which Gulf operates as a joint venture with Royal Dutch Shell, is contracted to supply uranium to three utilities, but is unable to meet its commitments in full because its own supplier, United Nuclear corporation, has halted deliveries while a court investigates its charges that Gulf Oil was operating a uraium cartel.

According to an announcement in Gulf's second quarter report, General Atomic's expected shortage while the court hearing goes on is expected to be about 3.5m pounds of uranium oxide up to 1980. Gulf Oil says the utilities will get this at prices "significantly below market" because of previous contracts, and will result in a loss to the company of some $112m. This represents the additional amount that could have been obtained on the open market, where prices have shot up in recent years from $7 a pound to $44.

However Gulf said it did not expect this diversion of its Canadian uranium away from the open market to result in any significant loss to the company as a whole because the after-tax cost of production would not exceed the $10 "plus some escalation" that General Atomic will receive from the utilities.

Gulf's announcement was foreshadowed in its last quarterly report which said that the refusal of various uranium suppliers to honour their supply contracts had created a "potential near-term shortfall in General Atomic's uranium position which could necessitate the purchase of uranium at current market prices to fulfill sales commitments at prices significantly below market.'

Today's announcement said the extra uranium would come from Rabbit Lake, Saskatchewan, where Gulf owns 51 per cent of a mine-mill complex. Last year, this mine contributed 2.6m pounds to Gulf's total 3.2m pounds of uranium.

Gulf said its decision had been taken with the agreement of Royal Dutch Shell. However, Gulf added that the European group had made it clear that it expects Gulf to be "fully responsible for any economic impact of the uranium litigation on General Atomic which might result from anti-trust allegations against Gulf."

Prudential eyeing Japan market

BY OUR OWN CORRESPONDENT

PRUDENTIAL, THE biggest U.S. life insurance company, is considering entering the Japanese insurance market, it disclosed today.

A senior executive would visit the country later this month to explore the potential.

The company denied a report from Tokyo that it planned to set up a joint venture with Sony, the electronics concern. But it *said it had dealt with the com*pany for a number of years and had discussed life insurance business with them.

Prudential said it was attracted by the size of the Japanese market, and the speed with which it was growing.

"We need more information before we can determine what, if any, role might exist there for the Prudential, and to determine whether we should seek official approval for entry into the Japanese market."

Mr. John Kittredge, the company's executive vice-president, will travel to Japan soon to gather the information the Prudential needs for a decision.

It is understood that he will call on some eight insurance companies there, but his schedule does not include a meeting at Sony.

The Prudential, based in Newark, New Jersey, is a mutual company with assets of some $46.5bn.

Most of its operations are connected with life insurance, though it covers property and casualty insurance too.

RESULTS IN BRIEF

Dayton-Hudson boosts half-year profits

NEW YORK, August 17

DAYTON-HUDSON, the department store group, raised its second quarter earnings to $156.14m, or $6.62 per share, from $14.11m, or 60 cents, boosted by a $6.40 gain from the sale of nine shopping centres. The three months' results also took in a 12 cents charge for expenses on the Mervyns acquisition and a provision of 32 cents for the planned closure and demolition of Hudson's central Detroit store. Sales for the quarter were $656m against $559m. At the halfway stage, they totalled $1.23bn compared with $1.06bn, while earnings moved up to $168.7m from $24.6m.

Another retail concern, Allied Stores, raised its first half earnings per share to 82 cents from 69 cents, while retail and mail order company Gamble-Skogmo produced a $1.41 a share profit for the period against a 20 cents loss a year ago.

Two groups in the food sector both turned in improved figures for the past year. Dennys, which operates restaurants, raised its per share earnings to $2.82 from $2.30, while Consolidated Foods, a processor and distributor, advanced from $2.67 to $3.21.

Agencies

Recovery at SCM in final quarter

By Our Financial Staff

*NET income of SCM Corpora*tion, the deversified industrial company whose products include office copiers and Smith Corona typewriters, for the year ended June 30 was $37.58m or $4.03 a share, on sales up from $1.38bn to $1.51bn.

This is somewhat better than forecast at this half year stage. *After a poor first half which saw* earnings fall below 1977 levels SCM forecast that the outturn for the year would still equal last year's record of $37.41m or $4.01 a share.

The 1978 figures include a gain of $2.8m or 30 cents a share arising mainly from tax benefits on the disposal of the European copier operations, and a gain of about $1.5m or 16 cents a share on the sale of premises and the favourable settlement of litigation.

For the fourth quarter, SCM had net income of $15.21m or $1.63 a share compared with $11.39m or $1.22 a share. Sales were higher at $418.6m against $365m.

Strikes hit International Harvester

CHICAGO, August 17.

WEAKNESS OF the dollar and strikes at Louisville adn its tractor plant in Britain—both now settled—have lowered results of International Harvester.

Net earnings for the third quarter sliped from $43.3m or $1.51 a share last year to $35.2m or $1.18 a share, on sales increased from $1.49bn to $1.69bn.

Total net earnings for the nine months to July 31 were $122.1m or $123.6m or $4.32 a share in 1977. Sales totalled $4.58bn against $4.26bn previously.

Net earnings include losses on foreign currency translations *equal to 59 cents a share against* 7 cents in the third quarter and 57 cents against 56 cents in the nine months. Strikers cost the group 46 cents a share in the third quarter. In 1977, both periods included a profit of 8 cents a share on the sale of the Wisconsin steel division.

Third quarter sales of trucks *rose 30 per cent to $865m but* agricultural equipment sales were down 4 per cent to $546m, although U.S. retail sales of farm equipment were up 17 per cent from a year earlier.

The company said it entered its fiscal fourth quarter on with an order backlog of $1.68bn—up 43 per cent from a year earlier.

Agencies

Itoh slips into loss

By Robert Wood

JAPAN'S third largest trading company, C. Itoh, has returned a net loss of Y12.3bn ($65m) for the year to end March, compared with a profit of Y330m in fiscal 1976.

The result comes on top of setbacks reported earlier this week by two other trading houses, Mitsubishi and Marubeni. The former, Japan's largest trading house, saw profits dip by a third last year, while Marubeni emerged with a more than doubled net loss.

Itoh's sales last year were Y6.75bn compared with Y6.5bn. The company blames its 363 subsidiaries for the bulk of the setback, notably Toa Oil which is 39 per cent owned by Itoh and which dipped into the red on a consolidated basis to the tune of Y6bn ($31m).

Trading companies are commission merchants, trade financiers, and organisers of consortia. The y have considerable discretion in deciding when to write off bad debts, and their year-to-year profit trends are not necessarily reliable indicators of their underlying success.

U.S. OIL COMPANIES

A year of mixed fortunes

BY DAVID LASCELLES IN NEW YORK

THE GOOD NEWS from the U.S. oil industry as it reached mid-1978 was that the North Sea and the Alaskan North Slope were at last beginning to make a difference to earnings. But the bad news was that the industry was still beset by a host of uncertainties both political and economic which rendered its performance far from uniform.

Companies' fortunes varied widely. Exxon, for instance, the largest oil concern, reported a rise of nearly 22 per cent in earnings in the second quarter, and attributed it largely to the start-up last year of its North Slope operations where it has invested $3bn. On the other hand, giants like Gulf and Texaco, turned in sharply lower earnings, partly blaming these on weak demand for crude oil.

Similar contrasts in performance appeared when Mobil attributed its 21 per cent increase in earnings almost entirely to stronger foreign operations, while Continental Oil Company (Conoco), said that its 32 per cent profits rise had mostly come from better U.S. operations, the reason being the revival of the coal industry, where Conoco has large interests.

Although the oilmen are grappling with many common problems, these mixed fortunes are best explained by the companies' different structures and areas of operation. For instance, the restrictive policies currently being applied by OPEC favour companies with interests in non-OPEC areas, including U.S. domestic oil and gas, which have direct access to markets from which OPEC suppliers can be squeezed such as North America and Britain. As an illustration, the Alaskan start-up has reduced the share of imports in total U.S. oil consumption from about half to some 40 per cent.

Apart from Exxon, companies benefiting from this include Mobil, whose higher crude pro*duction at the Beryl Field in the* North Sea was a factor in raising its foreign energy operations by $65m to $278m. Occidental's oil and gas operations nearly trebled to $38.1m on a quarter-to-quarter basis, mainly because of higher production fro mthe North Sea and Peru. And Arco said that the increased throughput on the trans-Alaska pipeline had helped it to raise production from its Prudhoe Bay reserves to over 200,000 barrels a day.

By contrast Gulf, which is predominantly in the Middle East, said its first-half earnings were "adversely affected by a sharp decline in foreign crude liftings."

This summer, incidentally, produced two examples of how oil companies propose to use the higher cash flows resulting from these new bonanzas. Occidental has just bid some $750m for Mead Corporation, a large forestry and wood products company, and Texas Eastern, a Houston-based gas-producing and transmission company with an interest in thre North Sea oilfields, offered $460m for Olinkraft, anotber forest products concern. The uncanny similarity between these two bids is more than a coincidence. It is taken to reflect the oil industry's concern for diversification away from wasting assets into industries where assets are self-reproducing.

Market analysts predict further deals of this kind as more of the oil majors find themselves with cash to spare.

However, the oil industry has been keen to inject a note of caution about these new produc*tion centres. Sohio, which with* its partner BP has made the largest single investment in Alaska, commented recently that "the political disincentives to new investment in Alaska as a result of more and more state taxes and regulations have caused Sohio and other oil companies to be less optimistic about future opportunities there." Sohio had hardly uttered these words when Britain announced plans to raise tax on North Sea revenues an idea which, needless to say, the oil companies did not rush to endorse.

The industry's half-yearly reports also highlighted the con*fusing picture of prices and costs* which faces it.

On the cost side, several companies noted a decline in exploration and production costs in the Middle East, but emphasised that these were rising in other parts of the world, mainly due to the high level of offshore exploration that *is now taking place,* particularly in Europe and the U.S.

The price situation is even more complex. While the oil glut of recent months has depressed prices worldwide, some companies, like Texaco, are also having to replace their reduced domestic supplies with costlier crudes from abroad, which is squeezing profit margins. On the other hand, the deregulation of gas prices in some U.S. states has increased revenues for companies, like Gulf, that were in a position to take advantage of them.

One of the few common threads in costs and prices can be seen in chemicals where all companies *reported flat earnings or losses* due to the weakness of the market combined with higher operating expenses, though there were improved returns on some refined oil products, including petrol and aviation fuel.

The oilmen are grappling with many common problems, but their mixed fortunes are best explained by *the companies' differing structures* and areas of operation

Significantly, none of the oil majors was prepared to make any predictions about future performance. Apart from the uncertainty over OPEC's intentions, the U.S. domestic energy scene remains overshadowed by the intense debate over the energy bill, where the main issues are the deregulation of gas prices and the proposed oil equalisation tax. It is still far from clear under what conditions the oil industry will be operating as little as a year from now.

But the fact that energy's fate is so obviously out of the oil companies' hands has given them what must be a welcome public relations boost. Despite the belated charges of overpricing that the Department of Energy is now laying before them for their actions in the immediate aftermath of the Arab oil embargo, the villians of the energy drama are no longer the oil moguls in their New York and Texas skyscrapers but the lawmakers in Washington.

The oil industry has also triggered much public enthu*siasm for its exploration effort* off the coast of New Jersey, the nearest it has ever set up its rigs to the centres of liberal thinking on the U.S. east coast. Ironically—for only a year ago public opposition to this programme was intense—this has captured the public imagination and given currency to the view that the oil industry is doing a "good thing" for the country after all.

This view was reinforced when Texaco announced on Monday that it had discovered "an encouraging" show of natural gas in its new Atlantic drilling area. There is a view that these "invisible" profits will have a greater impact on the industry than the uneven earnings it is turning in at the moment.

Go-ahead for TXIA

The Civil Aeronautics Board has ruled that Texas International Airlines (TXIA) may increase its stake in National Airlines from the 9.2 per cent it currently holds to a maximum of 25 per cent, provided that it puts the stock in a non-voting trust, our financial staff writes. National had asked the CAB to order TXIA not to buy any more of its stock pending an examination of the Texas airline's contested bid for National.

EUROBONDS

DM sector again weaker

By Francis Ghilès

PRICES IN the Deutsche Mark foreign bond market eased back yesterday by a quarter to half a point, but there were signs of a recovery in the afternoon. Turnover remained modest.

The fall in prices was also prompted by the weakness of the domestic bond market, where the Bundesbank intervened to buy DM83m worth of bonds — *four* times what it had bought the day before.

Dresdner Bank will float a DM40m seven year convertible on the Asian currency market: the indicated coupon is 3¼ per cent and pricing expected at par. The bond will be convertible on November 1 into shares of the parent company, a leading Japan ese electronic calculator manufacturer. Terms will be fixed on August 30.

In the dollar sector, selling pressure was stemmed by the climb of the U.S. currency and the expected rise in the target rate for Fed Funds. Prices were only off by about a quarter on the day, while floating rate notes were stronger at the short end of the market.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	97½	98
AMEV 8pc 1987	95	95½
Australia 8½pc 1992	93½	94½
Australian M. & S. 9½pc '92	99	99½
Barclays Bank 8½pc 1992	95½	96½
Bowater 9½pc 1992	99½	99½
Can. N. Railway 8¾pc 1986	95½	96
Credit National 8¾pc 1986	97	97½
Denmark 8¾pc 1984	98½	99
ECS 9pc 1993	99½	100
ECS 8¾pc 1997	95½	96½
EIB 9¼pc 1992	96½	97
EMI 9½pc 1989	98½	99½
Ericsson 8¾pc 1989	97½	98
Esso 8pc 1986 Nov.	99	99½
Gt. Lakes Paper 8¾pc 1984	98½	99
Hamersley 9¾pc 1992	100½	101½
Hydro Quebec 9pc 1992	97½	98
ICI 8¾pc 1987	95½	96½
ISE Canada 9¼pc 1986	103½	104
Macmillan Bloedel 9pc 1992	97½	98
Massey Ferguson 9¼pc '91	98	98½
Michelin 9¾pc 1988	99½	100½
Midland Int. Fin. 8¾pc '92	97½	99
National Coal Bd. 8pc 1987	93½	94½
Natl. Westminster 9pc 1986	100½	101½
Natl. Westmnstr. 9pc '86 'B'	101½	102½
Newfoundland 9pc 1989	100	100½
Nordic Inv. Bank 8¾pc 1988	97½	98½
Norges Kom. Bk. 8¾pc 1992	95½	96
Norpipe 8¾pc 1989	96½	97½
Norsk Hydro 8¾pc 1992	95	95½
Oslo 9pc 1988	99½	100½
Ports Autonomes 9pc 1991	98	98½
Prov. Quebec 9pc 1993	96	96½
Prov. Saskatchwn. 8¾pc '86	97½	98
Reed International 9pc 1987	93½	94½
RHM 9pc 1992	95½	96
Selection Trust 8¾pc 1989	91½	92½
Shell Intl. Fin. 8¾pc 1990	93½	[illegible]
Skand. Enskilda 9pc 1991	98½	99½
SKF 8pc 1987	91½	92
Sweden (K'dom) 8¾pc 1987	95	95½
United Biscuits 9pc 1989	97½	98½
Volvo 8pc 1987 March	93½	94½

NOTES	Bid	Offer
Australia 7¾pc 1984	93½	94
Bell Canada 7¾pc 1987	93½	94½
Br. Columbia Hyd. 7¾pc '85	93½	94½
Can. Pac. 8¾pc 1984	97½	98½
Dow Chemical 8pc 1986	96½	97
ECS 7¾pc 1982	94	94½
ECS 8¾pc 1989	94½	95
EEC 7¾pc 1982	95½	96
EEC 7¾pc 1984	94½	95½
Enso Gutzeit 8¾pc 1984	95½	96½
Gotaverken 7¾pc 1982	93½	94
Kockums 8pc 1983	96½	97½
Michelin 8¾pc 1983	98½	99
Montreal Urban 8¾pc 1981	99½	100½
New Brunswick 8pc 1984	96½	97½
New Bruns. Prov. 8¾pc '83	99	99½
New Zealand 8¾pc 1986	95½	96
Nordic Inv. Bk. 7¾pc 1984	94	94½
Norsk Hydro 7¾pc 1982	95½	96½
Norway 7¾pc 1982	93½	94½
Ontario Hydro 8pc 1987	93½	94½
Singer 8¾pc 1982	99	99½
S. of Scot. Elec. 8¾pc 1981	98½	99½
Sweden (K'dom) 7¾pc 1982	94½	95½
Swedish State Co. 7¾pc '82	95½	96
Telmex 9¾pc 1984	99½	100
Tenneco 7¾pc 1987 May	91½	92½
Volkswagen 7¾pc 1987	94½	95½

STERLING BONDS	Bid	Offer
Allied Breweries 10½pc '90	90½	91½
Citicorp 10pc 1993	92½	93½
Courtaulds 9½pc 1989	90	91
ECS 9½pc 1989	93½	94½
EIB 9¼pc 1988	97½	98½
EIB 9¾pc 1992	93½	94½
Finance for Ind. 9¾pc 1987	92½	93½
Finance for Ind. 10pc 1989	94½	95½
Fisons 10½pc 1987	98½	99½
Gestetner 11pc 1988	93	94
INA 10pc 1988	92½	93½
Rowntree 10¾pc 1988	92½	93½
Sears 10½pc 1988	93	94
Total Oil 9½pc 1984	90½	91½

DM BONDS	Bid	Offer
Asian Dev. Bank 5¾pc 1988	94	95
BNDE 6¾pc 1986	96½	97½
Canada 4¾pc 1983	97½	98½
Den Norske Ind. Bk. 6pc '90	98½	99½
Deutsche Bank 4¾pc 1983	96½	97½
ECS 5¾pc 1990	92	93
EIB 5¾pc 1990	91½	92½
Elf Aquitaine 5¾pc 1988	93	94
Euratom 5¾pc 1987	96½	97½
Finland 5¾pc 1986	94½	95½
Forsmarks 5¾pc 1990	94½	95½
Mexico 6pc 1985	95	96
Norcem 5¾pc 1989	98	99
Norway 4¾pc 1983	96½	97½
Norway 4¾pc 1983	95½	96½
PK Banken 5¾pc 1988	94½	95½
Prov. Quebec 6pc 1990	96½	97½
Rautaruukki 5¾pc 1988	[illegible]	94
Spain 6pc 1988	95	96
Trondheim 5¾pc 1988	94½	95½
TVO Power Co. 6pc 1988	96	97
Venezuela 6pc 1988	94½	95½
World Bank 5¾pc 1990	93½	94½

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 8¾pc	99	99½
BFCE 1984 8¾pc	98½	99½
BNP 1983 8¾pc	99½	100½
BQE Worms 1985 9pc	98	98½
CCF 1985 8¾pc	98½	99½
Chase Manhttn. '93 9 5/16pc	98	98½
Creditanstalt 1984 8¾pc	98½	99½
DG Bank 1982 8pc	99½	100½
GZB 1981 8 1/16pc	99½	100½
Intl. Westminster 1984 8pc	98½	99½
Lloyds 1983 8 15/16pc	[illegible]	100½
LTCB 1983 8pc	98½	99½
Midland Int. FS '87 8 9/16pc	98½	99½
Midland Int. FS '93 8 7/16pc	98½	99½
Nat. Westminstr. '88 8 5/16pc	98½	99½
OKB 1985 8¾pc	99½	100½
SNCF 1985 8 5/16pc	99	99½
Stand. and Chtrd. '84 8¾pc	98½	99½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	82½	84
Ashland 5pc 1988	101	102½
Babcock & Wilcox 7pc '82	118½	119½
Beatrice Foods 4¼pc 1992	94	95½
Beatrice Foods 4¾pc 1992	111	112½
Beecham 6¾pc 1992	111½	112½
Borden 5pc 1992	98½	100
Broadway Hale 4¾pc 1987	76	77½
Carnation 4pc 1987	77	78½
Chevron 5pc 1988	133	134½
Dart 4¾pc 1987	83	84½
Eastman Kodak 4½pc 1988	90	91½
Economic Labs. 4½pc 1987	77	78½
Firestone 5pc 1988	79	80½
Ford 5pc 1988	84	85½
General Electric 4¼pc 1987	85½	87
Gillette 4¾pc 1987	77	78½
Gould 5pc 1987	127½	129
Gulf and Western 5pc 1988	88	90½
Harris 5pc 1992	215	217
Honeywell 6pc 1986	87½	89
ICI 6¾pc 1992	84½	85½
INA 6pc 1997	98	99½
Inchcape 6¾pc 1992	109	110½
ITT 4¾pc 1987	77½	79
Jusco 6pc 1992	135	136
Komatsu 7¾pc 1990	145	148
J. Ray McDermott 4¾pc '87	130	132
Matsushita 6¾pc 1990	193½	195
Mitsui 7¾pc 1990	125½	127½
J. P. Morgan 4¾pc 1987	101	102½
Nabisco 5¾pc 1988	104	105½
Owens Illinois 4¾pc 1987	119½	121
J. C. Penney 4¾pc 1987	76	77½
Revlon 4¾pc 1987	142	144
Reynolds Metals 5pc 1988	86	87½
Sandvik 6¾pc 1988	117	119
Sperry Rand 4¾pc 1987	89½	91
Squibb 4¾pc 1987	82½	84
Texaco 4¾pc 1988	79	80½
Toshiba 6¾pc 1992	136½	137½
Ty Co. 5pc 1984	75½	77
Ty Co. 5¾pc 1988	101½	102½
Union Carbide 4¾pc 1982	90½	92
Warner Lambert 4¾pc 1987	80½	82
Warner Lambert 4¾pc 1988	77½	79
Xerox 5pc 1988	78	79½

Source: Kidder, Peabody Securities.

ENERGY REVIEW: NORTH SEA OIL

BY KEVIN DONE

A spark of controversy holds up Brent

THE JIG-SAW pieces of Shell-Esso's massive Brent Field development are finally beginning to fall into place. But as the picture takes shape offshore, the two companies, which together account for nearly 30 per cent fo the UK oil reserves now under development, are facing problems onshore, which to date have proved more intractible and frustrating than most of the difficulties they have encountered in the stormy waters of the North Sea.

The Brent Field is the largest oil discovery yet made in the UK sector of the North Sea. It contains estimated recoverable reserves of some 2bn barrels of oil—including 600m barrels of condensate and natural gas liquids—and about 3 trillion cubic feet of gas. At peak production rates it could meet as much as 30 per cent of UK oil consumption and 15 per cent of UK gas consumption.

The field is large by any standards, but the particular combination of hydrocarbons discovered in the Brent province, 100 miles to the north-east of the Shetland Islands, has necessitated an offshore development programme that in complexity rivals any in the world.

It is ironic that Shell and Esso should have run into one of their most time-consuming problems in the whole project onshore in the two small communities living in Aberdour and Braefoot Bay on the shores of the Firth of Forth.

These two communities live either side of Braefoot Bay, the location chosen by Shell for a marine terminal to service its planned natural gas liquids separation plant at Mossmorran, Fife. The NGL plant and terminal are the piece of the jig-saw located furthest away from the field, but they are a vital part of the overall plan and delays here have repercussions for the whole project.

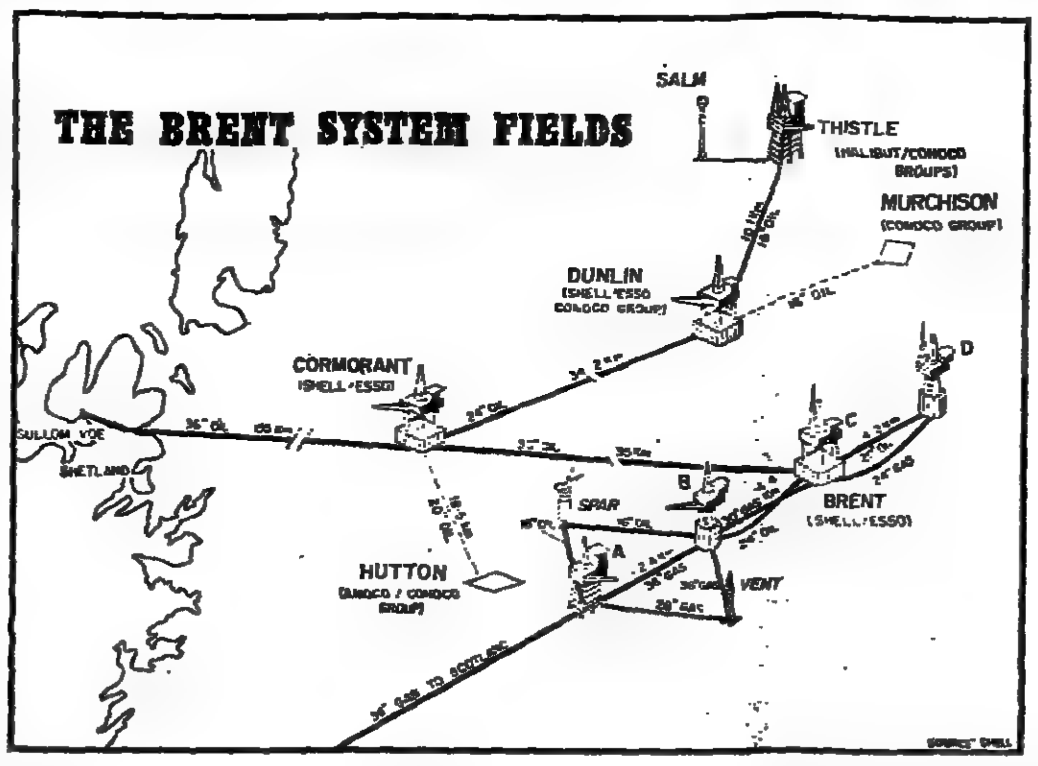
A planning inquiry was held more than a year ago and Shell had hopes of moving in the first bull-dozers last spring. But it could hardly have counted on meeting quite such vehement and articulate opposition as has been offered by local protest groups. Neither could it have foreseen the series of events, some tragic, some farcical, that have occurred since the inquiry and have served to complicate further the decision facing Mr. Bruce Millan, the Secretary of State for Scotland.

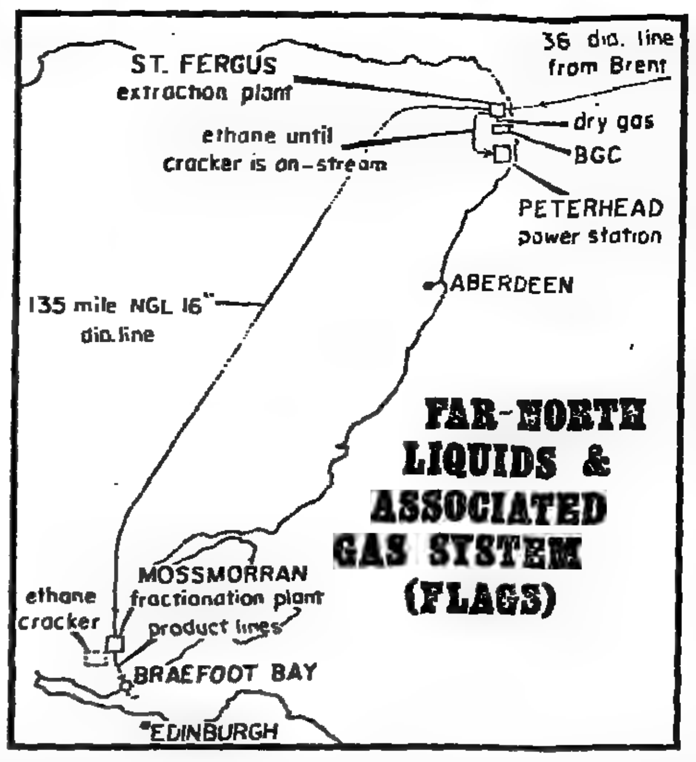
A decision will certainly not be forthcoming before September 4, the day Mr. Millan has set as the deadline for submissions on one of the more esoteric hazards that has emerged in the last 12 months—the danger of sparks from radio signals sent out by nearby radio masts.

Shell received provisional planning permission at the end of March for its NGL plant but it was conditional on the Scottish Secretary receiving further evidence on these hazards. Mr. Millan has hardly been allowed to forget where his responsibilities lie and has already been taken to court once by the objectors in an action to force him to release more information.

But the Fife plant which will separate the natural gas liquids from Brent into ethane, propane, butane and natural gasoline, is only the final link in a chain that will stretch from the northern North Sea.

The four platforms of the Brent Field form the backbone of a complex pipeline system that will transport oil to Sullom Voe in the Shetland Islands and gas to a reception and treatment terminal at St. Fergus to the north of Peterhead in Aberdeenshire.





First well

Shell/Esso expects to be ready to start moving the first oil along the 97 mile pipeline to Sullom Voe in mid-October. It will come from another of its discoveries in the area that is tied into the Brent System, the Dunlin Field. Production from the first well on Dunlin began just nine days ago at a rate of about 9,000 barrels a day, but three more wells will soon be on stream.

On the Brent D platform, which began production in November 1977, the Shell/Esso group marked another important point in the field's development exactly a week ago, when it started the first re-injection of gas into the Brent reservoir. In the first rush to bring Brent into production during the frantic days after the OPEC oil embargo, little emphasis was placed on preserving the gas for use at a later date, by re-injecting it back into the field.

But in the past two years the stricter line over the wasteful flaring of gas, and Shell has had to shut down important parts of the field for many months, while it installs the expensive compression units needed to reinject the gas. The Brent B platform which first came on stream in December 1976, was shut down in June last year and it is unlikely to resume production until next month.

Shell/Esso are spending £15m to £20m on gas compression equipment for each of the four platforms, and the units represent some of the world's most advanced technology in this area. They must take gas being produced from the field at about 2000 pounds per square inch and re-inject it at as much as 6,000 psi to counter the pressure of the gas cap located 10,000-12,000 feet below the sea-bed.

To date the Brent platforms that have been producing oil have been loading into tankers at the field. But Shell hopes to have at least the pump station on Brent C in operation in the first three months of next year to allow oil to begin flowing for the first time directly from the field into Sullom Voe. Production from the C platform itself should begin towards the end of next year.

But it is the gas side of Brent production that is presenting the problems rather than the oil. Brent has one of the highest ratios of gas to oil in the North Sea and for many months to come it is the associated gas that is going to decide the pace at which the oil can be produced.

Shell/Esso have agreed a contract with British Gas to start supplying natural gas (methane) to the gas corporation's terminal at St. Fergus in October 1980. Supplies are supposed to level out at a minimum of 500m cubic feet a day.

But it is with this contract that Shell/Esso faces its most immediate problem as it tries to synchronise the completion of widely differing projects each involving in its own right an investment of several hundred million pounds.

Shell's gas terminal at St Fergus is already under construction. Costing at present estimates a little over £100m it should be ready by the middle of 1980.

This plant is designed to take out the natural gas stream for use by British Gas, allowing the remaining gas liquids to be piped south to a separation plant in Fife. Here the ethane stream would cross a boundary fence to a petrochemicals plant proposed by Esso Chemicals. The propane and butane streams, which should find ready customers in the fuel markets of Western Europe and North America, would be moved by a short pipeline to a marine terminal at Braefoot Bay.

But the residents living around Braefoot Bay object. They refuse to accept that a terminal for the shipment of potentially dangerous substances such as liquid petroleum gases (butane and propane) and liquefied chemical gas (ethylene) should be built within 1½ miles of their homes.

Acceptable

They refuse to accept the evidence presented by Shell, Esso, Esso Chemicals, the Health and Safety Executive and various engineering consultants that the plants and terminal will be built to the very highest safety standards and will meet all standards of "acceptable risk." Acceptable to whom? they ask.

The local residents suffered a defeat at the public inquiry held in July, last year. But when belatedly the Secretary of State gave his verdict at the end of March he granted only provisional outline planning permission.

Since the inquiry new worries had surfaced. An embarrassed Government was told that its 8m Royal Navy transmission station newly built at Crimond with financial aid from its Nato allies, could be a potential hazard to the nearby St Fergus gas treatment plants. Transmissions could cause sparks that might ignite any leaking gas.

If this was the case at St. Fergus, why not in Fife? The objectors soon discovered a nearby transmitter operated by the local radio station, Radio Forth. Mr. Millan was forced to call for a report from the Health and Safety Executive, and other reports were commissioned by Shell. Mr. Millan was inclined to keep this last report to himself, but the objectors decided they should be allowed to review all the evidence before stating their views. They took the Scottish Secretary to the Court of Session, the highest civil court in Scotland, and won their case. They were awarded costs, and Mr. Millan was ordered to make the report available and to allow the objectors reasonable time to consider it.

They in fact received it two months later along with the HSE report on radio transmissions and were set a deadline of replying by September 4. Mr. Dick Mehta, co-chairman of the Aberdour and Dalgety Bay Joint Action Group, said yesterday that such a deadline is unacceptable. The group had asked Mr. Millan for an extension. But if it was not granted, he said, they would return to the courts to seek a further injunction.

But apart from the diversion over radio sparks there have been other developments, which must be deeply worrying the oil companies, however indirectly they relate to the Fife project. In the early summer of 1977 a natural gas plant similar to the one planned for Mossmorran exploded in Qatar, in the Middle East.

Designs for the Fife plant have been modified in the light of the accident.

Since then a series of road and rail disasters in the U.S., Spain and Mexico have emphasised to the public the dangers that can exist from the movement of liquefied petroleum gases. No road or rail transport linkes are planned for Fife, but the disasters could help the protesters' case.

But above all the action group has received a report from the U.S. this week which it is using as a basis to call for the re-opening of the public inquiry.

The full 1,800 page report will be delivered to Mr. Millan next week, but he has already received extracts. It was prepared by the General Accounting Office, a U.S. Government agency, which investigates the Government's performance on behalf of Congress.

The report concludes: "Liquefied energy gas risk assessment studies have not reached a stage where they give confidence in their conclusions. Therefore safety decisions cannot logically be based on them. . . Regulators will have attempt to make timely, prudent siting and other critical judgments with the realisation that many important safety questions cannot yet be answered with confidence." No new liquefied gas projects should be allowed except in remote areas, says the report, because the U.S. Government does not yet have the knowledge or competence on which to base a decision.

Middle stages

Meanwhile Shell/Esso can only wait, caught up in the middle stages of a project vital to the U.K.'s future energy needs and involving an investment at the last count of some £3bn.

The delay at Mossmorran already means that Shell/Esso will not get the early gas sales they had been banking on. Worse, however, it means that gas re-injection will have to be increased at the field, which could have had effects on the oil reservoir. A certain amount of gas can be re-injected without difficulty, but if the process is prolonged a vicious circle begins whereby more and more gas will be produced along with the oil, slowing oil production and calling for more and more gas to be reinjected.

This process could have a severe effect on production forecasts. How soon it would begin to bite is uncertain. But it is an important factor that the Brent partners must be considering as they endure the growing delays and ponder "the unthinkable" that the planning permission could actually be refused.

A legal catch for those dealing with the state trading countries

BY A LEGAL CORRESPONDENT

WHEN STANDARD *forms of* contract developed in trade between free market economies are used for transactions with state trading organisations, they may give rise to problems. Whether the organisations form part of the governments or are separate legal entities, there always exists a special relationship between them, and it may call for special provisions in contracts.

One such problem formed the subject of an article in which the FINANCIAL TIMES Legal Correspondent, on July 13, discussed the apparent implications of the recent decision in *C. Czarnikow v Rolimpex*. Briefly the outline facts and issues were as follows: In 1974 Rolimpex, a Polish state trading organisation, concluded a number of important export contracts for the sale and shipment of sugar from Poland. All the contracts incorporated the *Rules of the Refined Sugar Association* which contain *force majeure* exceptions including prevention by "government intervention." They also provide that the sellers are to be "responsible for obtaining any necessary export licence," and *that in the event of a failure* to do so they could not rely on *force majeure*.

Rolimpex duly obtained the necessary export licences in the usual way. However, there was then a period of heavy rain and flooding in the sugar beet producing areas which destroyed much of the crop and left too little for domestic consumption. On November 5 the Council of Ministers thereupon promulgated a decree signed by the Prime Minister which banned all imports of sugar with immediate effect and cancelled all existing export licences. The circumstances in which this decree was made are important and are mentioned below.

Rolimpex was unable to fulfil its commitments and claimed *force majeure* by government intervention. The losses to its customers have been estimated at £40m to £60m. The Czarnikow contract was referred to arbitration, more or less as a test case, to a panel of five trade arbitrators from Britain.

Czarnikow maintained that (a) as a state trading organisation Rolimpex could not rely on "government intervention," and (b) it had in any event *failed "to obtain the necessary* export licences." The arbitrators rejected both contentions and awarded in favour of Rolimpex.

Czarnikow then appealed under the "Special Case" procedure which empowers the *courts to overrule arbitrators on* points of law. The case came before a High Court judge of the Commercial Court, then three members of the Court of Appeal, and finally five Law Lords. All nine of them agreed *with the arbitrators on point* (a): all but two—one in the Court of Appeal and on in the House of Lords—also agreed on point (b).

The FINANCIAL TIMES Legal Correspondent expressed understandable disquiet about the apparent implications of the case in relation to East-West trade, particularly in the context of point (a). The object of this article is to place the grounds of the decision in perspective *and also to draw attention to* certain other considerations which should be borne in mind for the future.

1. As the Legal Correspondent forcefully pointed out, for a state trading organisation within a Comecon state to be able to *rely on government intervention* as an excuse for non-fulfilment of its contractual obligations appears at first sight to be an obvious anomaly with dangerous implications. For obvious reasons it cannot *normally* be a sufficient answer to say that, as in this case, the organisation is *technically a legal entity* separate from the state. What matters is the reality.

In the present case, however, the facts found by the trade arbitrators were exceptional, and the courts were of course bound by the arbitrators' findings. In brief, the position was as follows. Czarnikow understandably contended, in the words of Lord Wilberforce, "that there was some kind of collusion or conspiracy between Rolimpex and the Government by which the Government was persuaded, in the interest of Rolimpex, to impose the ban." This was wholly rejected by the arbitrators after a full investigation of the contemporary documents and hearing many witnesses. Indeed, they were satisfied that Rolimpex had established the contrary.

To preserve its reputation in the trade Rolimpex had been anxious to perform the contracts, either by the delivery of home-grown sugar or by the tender of alternative supplies from the world market. The Director and General Manager of Rolimpex protested against the proposed ban and subsequently expressed his formal regret to the customers. The Minister of Foreign Trade and Shipping, which supervised Rolimpex, supported his protest.

But other ministers opposed him on the ground that it was unacceptable to put the people of Poland on short rations and that the expenditure of foreign currency was also unacceptable. The Council of Ministers was split, but decided to impose the ban without any further consultation with Rolimpex and *against its will*.

(The arbitrators found expressly that "the persons employed in Rolimpex did not induce the Council of Ministers to authorise the ban and did not influence its continuance or effect." They also found that "Rolimpex is not so closely connected with the Government of Poland that it is precluded from relying on this ban as 'government intervention'.") On these exceptional facts it was unanimously held by the arbitrators and the courts that the defence of "government intervention" had been established.

2. The issue raised by point (b) concerning the export licences is more arguable, but really subsumed by the main issue. *The majority view was* that, since Rolimpex had in fact obtained the export licences which were required under the existing licensing system, it had discharged its obligation "to obtain the necessary licences" *notwithstanding that the Decree* of the Council of Ministers not only banned the exports, but also formally cancelled the previously granted licences.

It was held that much stronger words would have been required than "obtain the necessary licences" *to produce* effect of an absolute guarantee that they would not be revoked by a total ban on shipments.

3—What of the future, if similar exceptional cases are to be avoided? One obvious solution appears to *be to exclude* "government intervention" and anything similar from the scope *of force majeure* defences in all contracts with state trading organisations. An ancillary means would be to strengthen the obligation concerning export licences by a provision to the effect that their continuing validity is guaranteed up to the point of shipment. No doubt both these points are already under consideration.

However, it *would still be* questionable whether they would go far enough. The law is that, if fulfilment of any contract becomes illegal, and therefore impossible, by the law of the country in which any material *act of performance* is required to be done, then the party so prevented is excused from further performance.

This issue did not arise in the Rolimpex case, but it might well arise in similar circumstances in the future, even if contracts with state trading organisations are modified to exclude express defences such as "government intervention." The only possible answer would be the imposition of some absolute obligation in the contract either to perform it or to pay damages. In theory even such a contract could subsequently be nullified by supervening illegality, but in practice this would be highly unlikely.

In the ordinary course of *commerce such contracts are* virtually unknown, but a state trading agency might be prepared to accept them in particular cases. If it did, then the other contracting party would have nothing to fear from the *doctrine of sovereign immunity* if it became necessary to seek to enforce such a contract in Britain: the Comecon state trading agencies have never endangered their reputation by attempts to rely on this *doctrine, and under the State* Immunity Act 1978 they would now in any event be unable to do so in British courts.

INTL. FINANCIAL AND COMPANY NEWS

New owners for Greatermans

BY RICHARD ROLFE

JOHANNESBURG, August 17.

CONTROL OF Greatermans Group, the largest retail chain in South Africa, has passed from the Herber family to a consortium dominated by 9frikaaner intrests in a move, foreshadowed earlier this week, which takes Afrikaaner business into mass retailing for the first time.

Mr. Norman Herber, the chairman of Greatermans has sold its master company, Griffon Holdings, to a consortium consisting of his cousin, Mr. Lawrence Herber, the Arfikaner group Federale Chemiese and two local interpreneurs, Mr. Isaac Kaye and Mr. B. D. Miller.

The total involved in the transaction is just over R10m. ($11.5m) and for this the consortium has gained control of Greatermans whose annual sales run at over R750m and whose gross assets total R80m.

Federale Chemiese is a 72 per cent owned subsidiary of the listed Federale Volksbeleggings group, the chief industrial holding company of the Saplam life insurance house which dominates Afrikaner business. Federale Chemiese in turn is one of the largest shareholders in SA Druggists, a pharmaceuticals group which recently acquired a rival company, Alumina, from Messrs. Kaye and Miller, forging the first part of the alliance which has now been put together to control Greatermans.

Before the deal, Griffon held 50 per cent of another listed company, Gresham, and the two between them controlled 50 per cent of Greatermans voting shares, equivalent to just over 20 per cent of the total equity. Griffon is now selling its 50 per cent of Gresham to Mr. Norman Herber, who in turn is selling Gresham's 12 per cent of the Greaterman voting shares to Griffon.

The new consortium has acquired control of Griffon and is offering 90c per share to outside shareholders compared with a price before the bid of 55 cents.

The upshot of the deal is that Mr. Norman Herber retains Gresham as a listed vehicle, but without any interest in Greatermans. The price struck for the 12 per cent of the Greatermans voting shares which are being sold from Gesham to Griffon is 550c, against the current market price of 265c both for the voting and onon-voting shares in Greatermans. There is no offer to outside shareholders of Greatermans.

Greatermans' profit record has been patchy in recent years and shareholders will now be hoping that the new controllers will be able to improve the group's performance.

Greatermans controls 10 department stores, about 35 family shops under the Ackermans banner and his interests in toiletries and shipping. The most profitable part of the group is the Checkers supermarkets chain, the largest in the Republic with 153 stores.

Marra returns to profits

BY JAMES FORTH

SYDNEY, August 17.

[M]ARRA Developments the [p]astoral group has earned its [fi]rst profit in four years and has [r]eturned to the dividend lists. [T]he company declared a net [p]rofit of A$1.7m (US$1.98m) for [th]e year to June compared with [tr]ading loosses and provisions [to]talling almost A$28m over the [p]ast four years.

The company has been beset [by] disputes between the direc[to]rs and a group of shareholders [w]ho disagree with the policy in [r]ecent years of selling many of [th]e group's pastoral properties.

The directors maintain that the [sa]les are needed to place Marra [in] a position where it will be [a]ble to redeem A$14.8m in con[v]ertible preference shares [is]sued in the takeover several [y]ears ago of another pastoral company, Scottish Australian Holdings. Borrowings to fund the takeover were behind the group's difficulties in the following years.

Dividends on the preference shares are A$3.64m in arrears. The directors have decided that the profit justifies paying a half yearly dividend of 1.75 cents a share on the preference shares and they believe that future profits should enable the continuance of preference payments. A dividend of 0.775 cents a share on the ordinary dividends, declared in December 1974 will now be paid.

During the year six pastoral stations were sold and the proceeds were largely responsible fo ran extradorinary profit of A$400,000.

Downturn at Hooker

BY OUR OWN CORRESPONDENT

SYDNEY, August 17.

HOOKER Corporation the property group suffered a 3.5 per cent fall in earnings, from A$7m to A$6.8m (U.S.$7.94m) in the year to June 30 after an increase in costs resulting from a decision in March last year to write off some holding charges, mainly potential land developments, which were previously capitalised. The dividend is held at 7.5 cents a share.

The current year had commenced strongly and the directors considered that a satisfactory overall result could be achieved for the year, and thereafter.

Hooker's contingent liabilities for guarantees to joint venture partners and lenders were reduced during the year from A$121m to A$100m. The directors said that no overall loss was expected from these contingencies.

Profits from general operations rose by A$6.5m to A$34.4m. The net result was affected by an Head Lease and like contingenincrease in the provision for cies, from A$2.5m to A$3.0m, and a A$6.7m increase in holding charegs written off.

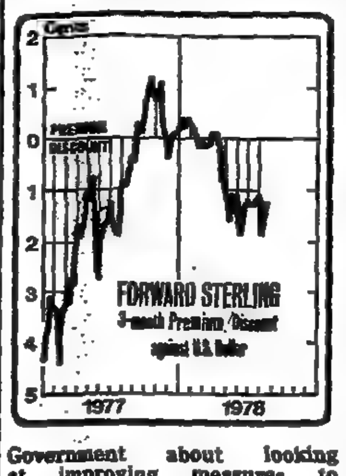
In addition to net earnings deferred revenue profits totalled A$9.2m at June 30 compared with A$9.99m a year earlier. Deferred profits mainly relate to the sales of trading stock on account as buyers discharge in terms with profits brought to cash their contractual obligations.

Currency, Money and Gold Markets

Dollar reacts in New York

NEW YORK—The dollar rose sharply during somewhat nervous morning trading in response to President Carter's request for recommendations of policies to help the U.S. currency. However, the dollar ran into late selling after the President's news conference which failed to give the reassurances of firm action the market had been hoping for. Closing price against the West German Mark was DM 1.96 (1.9650 on Wednesday); against fthe Swiss franc SwFr 1.62 (1.6075); against the yen Y185.30 and against sterling $1.965 (unchanged).

LONDON—The dollar rose sharply against all major currencies in the foreign exchange market yesterday. President Carter's concern over the dollar's weakness was behind the recovery, which was also helped by comments from the Swiss Government about looking at improving measures to keep foreign funds out of Switzerland. Even though the Swiss authorities ruled out any drastic new controls the dollar remained firm throughout.



The dollar touched a high point of SwFr 1.6800 against the Swiss franc before closing at SwFr 1.6500, compared with SwFr 1.5877½ previously. It rose to DM 1.9998 in terms of the D-mark before closing at DM 1.9925, compared with DM 1.9450 on Wednesday, and touched Y188.75 against the Japanese yen, before finishing at Y188.15, compared with Y184.65.

Turnover was fairly good, but trading remained very nervous, reflected in the very wide dealing spreads quoted on most currencies. The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, narrowed sharply to 9.6 per cent from 10.7 per cent.

Sterling opened at $1.9610-1.9630, its best level of the day, and fell to $1.95 by lunch. The lowest point touched was $1.9300-1.9350 in the afternoon, and it closed at $1.9390-1.9410, a fall of 3.60 cents on the day.

The pound's trade-weighted index, as calculated by the Bank of England, fell to 62.2 from 62.6, after standing at 62.4 at noon and in early dealings.

FRANKFURT—The dollar rose to DM 1.9773 against the dollar at the fixing, compared with DM 1.9484 previously. The Bundesbank did not intervene. The dollar's improvement followed the announcement by the Swiss Government that the central bank would be asked to examine measures to stop the inflow of foreign capital into the country.

MILAN — The dollar rose sharply against the lira at the fixing, on expectations of measures by the U.S. to support its currency. This ended a series of nine consecutive falls by the dollar, as it climbed to L831.55 against the lira from Wednesday's 29-month low of L822.95. The Swiss franc fell against the lira, following indications that the Swiss central bank is prepared to maintain hig hmarket liquidity to curb the appreciation of the franc.

PARIS—The Swiss franc and Japanese yen lost ground against the French franc following the Swiss announcement about the inflow of foreign capital. The Swiss franc fell to FFr 2.6355 against the French currency, down from FFr 2.6745 earlier in the day, and compared with FFr 2.66 at the fixing on Wednesday. The dollar maintained its overnight gain, standing at FFr 4.3165 at the fixing, up from FFr 4.2750 earlier in the day, and FFr 4.2360 on Wednesday. Apart from the weakness of the yen, most other major currencies improved against the French franc.

TOKYO—The dollar closed at Y185.47½ against the Japanese yen, compared with Y183.37½ on Wednesday.

THE POUND SPOT / FORWARD AGAINST £

Aug. 17	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	7¼	1.9300-1.9630	1.9390-1.9410	0.52-0.42c.pm	2.81	1.37-1.27c.pm	2.74
Canadian $	9	2.2000-2.2350	2.2038-2.2080	0.52-0.42c.pm	2.56	1.37-1.27c.pm	2.41
Guilder	4½	4.16-4.20	4.17-4.19	2½-1½ c.pm	5.74	6-5 c. pm	5.26
Belgian F.	6	60.40-60.85	60.70-60.85	28-18 c.pm	2.96	45-30 c. pm	2.47
Danish K	8	10.65-10.72	10.66½-10.67½	3¾-5¾ ore dis	−5.54	6-8 ore dis	−2.63
D-Mark	3	3.84½-3.88	[illegible]	3¼-2¾ pf pm	8.15	8¼-7¼ pf pm	8.02
Port. Esc.	18	87.50-88.50	87.80-88.20	70-170 c.dis	−16.36	160-500 c. dis	−14.55
Span. Pes.	8	145.00-146.00	145.10-145.40	60c pm-50 c dis	par	70c pm-30c dis	0.55
Lira	11½	1,618-1,629	1,626½-1,628½	3-5 lire dis	−2.85	12-15 lire dis	−3.32
Nrwgn. K.	7	10.15-10.21	10.15-10.16	1ore pm-½dis	0.89	1½ore pm-½dis	0.30
French Fr.	9½	8.38½-8.44½	8.41½-8.43½	2½-1½ c.pm	2.49	4½-3½ c. pm	1.78
Swedish Kr.	6½	8.56-8.60	8.57½-8.59½	1¾ore pm-½dis	1.06	4¼-2¼ ore pm	1.65
Yen	3½	361-368	364-366	3.95-3.30 y pm	11.75	8.90-8.45y pm	9.45
Austria Sch	4½	27.70-27.90	27.75-27.85	20-10 gro pm	6.47	40-30 gro pm	5.04
Swiss Fr.	1	3.10-3.25	3.19½-3.21½	3⅝-2⅝ c.pm	10.73	8¼-7¼ c. pm	10.42

Belgian rate is for convertible francs. Financial franc 62.00-62.10.

Six-month forward dollar 2.37-2.47c pm; 12-month 4.50-4.40.

THE DOLLAR SPOT / FORWARD AGAINST $

August 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	0.8776-0.8783	0.8780-0.8783	0.04-0.02	−0.53	0.10-0.07	−0.38
Guilder	2.1385-2.1440	2.1420-2.1440	0.58-0.53	3.01	1.46-1.40	2.37
Belgian Fr	31.06-31.15	31.07-31.10	par-0.03c dis	−1.32	par	—
Danish Kr	5.4468-5.4985	5.4950-5.4985	—		—	
D-Mark	1.9715-1.9960	1.9930-1.9940	0.91-0.86	[illegible]	2.64-2.59	5.17
Port. Es	—	44.80-45.10	—		—	
Lira	830.25-832.60	832.10-832.60	4.30-4.70	−6.22	12.10-12.85	[illegible]
Nrwgn. Kr	5.2050-5.2175	5.2155-5.2175	—		—	
French Fr	4.3075-4.3275	4.3260-4.3275	0.13-0.23	−0.29	0.95-1.10	[illegible]
Swedish Kr	4.3880-4.4345	4.4325-4.4345	—		—	
Yen	184.60-187.70	187.60-187.70	1.20-1.00	6.53	3.25-3.05	−6.39
Austria Sch	—	14.2075-14.2175	—		—	
Swiss Fr	1.5870-1.6595	1.6475-1.6505	1.14-1.09	−7.57	[illegible]	−7.75

* U.S. cents per Canadian $.

CURRENCY RATES

August 16	Special Drawing Rights	European Unit of Account
Sterling	0.654355	0.664914
U.S. dollar	1.27632	1.29661
Canadian dollar	1.45220	1.48836
Austrian schilling	18.2290	18.4980
Belgian franc	39.8403	40.4737
Danish krone	6.98466	7.11185
Deutsche Mark	2.52387	2.56951
Guilder	2.74217	2.78726
French franc	5.50926	5.60667
Lira	1061.26	1079.42
Yen	237.240	242.83
Norwegian krone	6.65729	6.76818
Peseta	95.0160	96.7287
Swedish krona	—	5.71662
Swiss franc	2.09972	2.13661

CURRENCY MOVEMENTS

August 17	Bank of England Index	Morgan Guaranty changes %
Sterling	62.18	−41.8
U.S. dollar	84.01	−9.5
Canadian dollar	82.77	−14.5
Austrian schilling	141.01	+18.4
Belgian franc	110.76	+12.3
Danish krone	113.25	+3.8
Deutsche Mark	141.71	+36.2
Swiss franc	199.44	+91.2
Guilder	120.38	+17.5
French franc	100.07	−3.7
Lira	55.56	−47.4
Yen	155.65	+53.8

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Aug. 17	£	$		Note Rates
Argentina Peso	1,585-1,586	815.48-817.53	Austria	27.50-28.50
Australia Dollar	1.6790-1.6860	0.8575-0.8585	Belgium	61½-62½
Finland Markka	7.9570-7.9730	4.1015-4.1098	Denmark	10.60-10.75
Brazil Cruzeiro	35.68-36.65	18.376-18.892	France	8.35-8.45
Greece Drachma	70.526-72.357	35.808-36.698	Germany	3.80-3.90
Hong Kong Dollar	[illegible]	4.7800-4.7250	Italy	1580-1610
Iran Rial	134-140	68.815-71.852	Japan	362-378
Kuwait Dinar (KD)	[illegible]	0.2687-0.2738	Netherlands	4.15-4.25
Luxembourg Franc	60.40-60.50	30.60-30.64	Norway	10.15-10.35
Malaysia Dollar	4.4330-4.4580	2.2550-2.2700	Portugal	87-90
New Zealand Dollar	1.8575-1.8645	0.9569-0.9598	Spain	144½-148
Saudi Arab. Riyal	6.46-6.56	[illegible]	Switzerland	3.10-3.20
Singapore Dollar	4.3085-4.3335	[illegible]	United States	[illegible]
South African Rand	1.6900-1.7150	[illegible]	Yugoslavia	37.00-40.00

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

Aug. 17	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.940	3.865	365.0	8.425	[illegible]	4.180	1628.	2.207	60.78
U.S. Dollar	0.515	1.	1.993	188.1	4.343	[illegible]	2.155	838.9	1.138	[illegible]
Deutsche Mark	0.259	0.502	1.	94.44	2.180	[illegible]	1.082	421.1	0.571	[illegible]
Japanese Yen 1,000	2.740	5.315	10.59	1000.	23.08	[illegible]	11.45	4459.	6.047	[illegible]
French Franc 10	1.187	2.303	4.586	433.8	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	0.312	0.605	1.206	113.9	2.629	1.	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	0.239	0.464	0.925	87.52	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	0.614	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
Canadian Dollar	0.453	0.879	1.751	165.4	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
Belgian Franc 100	1.645	3.192	6.360	600.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

EURO-CURRENCY INTEREST RATES

Aug. 17	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	8¾-9¼	6-9	[illegible]	5¼-5¾	¼-¾	[illegible]	7½-7¾	9-12	—	[illegible]
7 days' notice	10¾-11¼	[illegible]	8-8¼	5¼-5¾	¼-¾	[illegible]	7¾-8	18¼-18¾	7⅞-8⅛	[illegible]
Month	11⅛-11⅜	[illegible]	8¼-8½	5¼-5½	[illegible]	[illegible]	8¼-8½	13-14	8-8⅛	1¼-1½
Three months	11⅜-11⅝	[illegible]	[illegible]	6⅛-6⅜	[illegible]	[illegible]	9⅜-9⅝	13½-14½	[illegible]	1¾-2
Six months	11⅜-11⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14¼-15¼	[illegible]	[illegible]
One year	11⅝-11⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14½-15½	[illegible]	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: One month [illegible] per cent; three months 8.20-8.30 per cent; six months 8.50-8.60 per cent; one year 8.70-8.80 per cent.

Long-term Eurodollar deposits: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal closing rates.

Short-term rates are call for Sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

New York rates firmer

Federal funds touched 8 per cent in early trading, before easing to 7⅞ per cent, compared with a recent Federal Reserve target rate of 7¾ per cent. This follows recent speculation that the Fed may have raised its target rate, and that an increase in the discount rate from the present 7¼ per cent is possible. The reason behind any firming of U.S. rates is the recent weakness of the dollar, and indications that the Administration is looking for ways to help the ailing currency. Treasury bills were firmer yesterday, with 13-week bills rising to 7.24 per cent from 7.22 per cent late Wednesday, 26-week bills to 7.52 per cent from 7.44 per cent, and 12-month bills to 7.59 per cent from 7.78 per cent.

PARIS—Short-term money market rates were generally firmer, with day-to-day funds quoted at 7⅞ per cent, compared with 7⅝ per cent previously. One-month money firmed to 7⅝-7¾ per cent from 7½-7⅝ per cent, and three-month rose to 7¾-7⅞ per cent from 7⅝-7¾ per cent. Six-month was unchanged at 7⅞-8 per cent, and one-year was unchanged at 8¼-8⅜ per cent.

BRUSSELS—Deposit rates for the Belgian franc (commercial) were firmer for the longer periods. One-month money was unchanged at 6⅞-7⅛ per cent, and three-month was quoted at 7½-7⅝ per cent, compared with 7¼-7⅜ per cent previously. Six-month rose to 7⅝-7⅞ per cent from 7⅜-7⅝ per cent, and 12-month to 7⅝-7⅞ per cent from 7½-7⅝ per cent.

FRANKFURT—Call money rose to 3.5 per cent from 3 per cent, but period rates were unchanged at 3.45 per cent for one-month; 3.65 per cent for three-month; and 4 per cent for six-month.

AMSTERDAM—Call money rose to 5⅛-5⅜ per cent from 4½-5 per cent, while one-month was unchanged at 6-6½ per cent. Longer term rates were firmer however, with three-month at 6¾-7 per cent, compared with 6½-6¾ per cent on Wednesday; and six-month at 7-7¼ per cent compared with 6¾-7⅛ per cent.

HONG KONG—The money market was tight, with call money at 4½ per cent, and overnight at 4½ per cent.

UK MONEY MARKET

Exceptional assistance

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Day-to-day credit was in very short supply in the London money market yesterday and the authorities gave an exceptionally large amount of assistance by buying an extremely large number of Treasury bills from the discount houses, and a small amount of local authority bills. The Bank of England also lent a small amount to one or two houses, overnight at Minimum Lending Rate of 10 per cent.

Banks brought forward surplus balances, which were not as large as may have been expected, and the market was also helped by a slight fall in the note circulation. These factors were very much outweighed by a substantial net market take up of Treasury bills; resale to the market of bills bought previously by the authorities; a modest number of maturing local authority bills held by the authorities; and a sizeable excess of revenue payments to the Exchequer over Government disbursements.

Rates were fairly firm throughout, with discount houses paying near to 10 per cent for some day-to-day secured money, while closing rates were in the region of 8 per cent.

LONDON MONEY RATES

Aug. 17 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	9-9½	—	—	—	9¼	8-10	—	—	—
2 days notice	—	—	8⅞-9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	9⅜	—	—	—	—
7 days notice	—	9⅛-9½	8⅞-9⅛	—	9½	—	8¾-9	—	—	—
One month	9⅛	9⅛-9⅝	9-9¼	9⅛-9⅞	9⅝	9⅛	8¾	8⅞	9⅜	9⅞
Two months	9⅛-9⅜	9⅛-9⅜	—	9⅛-9⅜	9⅝	—	8⅞-9	8⅞	9⅜	9⅞
Three months	9⅜	9⅛-9⅜	9⅜-9⅜	9⅛-9⅜	9⅝	9⅝	9	8⅞	9⅜	9⅞
Six months	9⅝	9¼-9½	9⅛-9½	9	9⅞	—	—	—	9⅜	10½
Nine months	9⅜-9⅝	9⅝-9⅞	—	9¼-9⅝	10⅛	—	—	—	—	—
One year	9⅜-9⅝	9⅝-9⅞	9½-9⅝	9½-9⅝	10¼	—	—	—	—	—
Two years	—	—	10¼-10½	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. * Longer-term local authority mortgage rate nominally three years 10¾-11 per cent; four years 11-11⅛ per cent; five years 11⅛-11⅜ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9⅞32 per cent; four-month trade bills 10½ per cent.

Approximate selling rates for one-month Treasury bills 8²⁵⁄₃₂ per cent; and two-month 8¹³⁄₁₆ per cent; and three month 8²⁷⁄₃₂ per cent. Approximate selling rate for one-month bank bills 9⁵⁄₁₆ per cent; two-month 9⁵⁄₁₆ per cent; and three-month 9⅝ per cent. One-month trade bills 9¾ per cent; two-month 9⅞ per cent; and also three-month 9¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10½ per cent from August 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 8.8026 per cent.

GOLD

Sharp fall

Gold fell sharply in the London bullion market yesterday, reflecting the improvement of the dollar. The metal opened at $210¼-211¼, its highest level of the day, and was fixed at $210.45 (£107.592) in the morning. At the afternoon fixing it fell to $209.00 (£107.400), and closed at the weakest point of the day, at $208-208¾, a fall of $6¾ from the previous close. Volume was described as good, but trading was generally very nervous.

In Paris the 12½ kilo gold bar was fixed at FFr 28,750 per kilo ($207.16 per ounce) in the afternoon, compared with FFr 28,850 ($208.19) in the morning, and FFr 28,950 ($212.57) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 13,400 per kilo ($210.18 per ounce), compared with DM 13,500 ($215.81) previously.

	Aug. 17	Aug. 16
Gold Bullion (a fine ounce)		
Close	$208-208¾	$214¾-215¼
Opening	$210¼-211¼	$214¼-215¼
Morning fixing	$210.45 (£107.592)	$216.70 (£108.939)
Afternoon fixing	$209.00 (£107.400)	$215.75 (£108.656)
Gold Coins domestically		
Krugerrand	$214¾-216¾ (£110¼-111¼)	$220-222 (£111¼-112¼)
New Sovereigns	$57¾-59¾ (£29½-30½)	$58¾-60¾ (£29¾-30¾)
Old Sovereigns	$58¾-60¾ (£30¼-31¼)	$59¾-61¾ (£30¼-31¼)
Gold Coins internationally		
Krugerrand	$214¾-216¾ (£110¼-111¼)	$220-222 (£111¼-112¼)
New Sovereigns	$57¾-59¾ (£29¾-30¾)	$58¾-60¾ (£29¾-30¾)
Old Sovereigns	$58-60¾ (£30¼-31¼)	$58¾-61¾ (£30¼-31¼)
$20 Eagles	$305-308	$310-312
$10 Eagles	$164-168	$166-170
$5 Eagles	$114-118	$110-115

MONEY RATES

NEW YORK

Prime Rate	9
Fed Funds	7.9375
Treasury Bills (13-week)	7.24
Treasury Bills (26-week)	7.52

GERMANY

Discount Rate	3
Overnight	3.5
One month	3.45
Three months	3.65
Six months	4
Six months	4

FRANCE

Discount Rate	9.5
Overnight	7.5
One month	7.375
Three months	7.5625
Six months	7.9375

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.375
Bills Discount Rate	4.25

WORLD STOCK MARKETS

Wall St. over 900 pending Carter's $ plan

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—98¼% (100%)
Effective $1.9400—43¼% (52%)

FURTHER GAINS were scored in heavy trading on Wall Street yesterday, sending the Dow Jones Industrial Average above the 900 level, *on hopes that President Carter will take concrete steps to support the U.S. dollar.* But the close was below the best.

After rising 10.83 to 905.41, the *Industrial Average partially reacted to 900.12, for a net gain of 5.54—its highest level since it closed at 908.18 July 26, 1977.* The NYSE All Common Index added 28 cents at 59.21, its highest level since October 29, 1973 when it finished at $59.77. Advances led declines by a two-to-one majority, while the trading volume spurted ahead 9.13m shares to 45.27m.

Prices began to erode late in the session as investors grew cautious ahead of President Carter's News Conference and the weekly Federal Reserve Money Supply report.

Analysts said some credit tightening by the Federal Reserve Wednesday was a positive first step but insufficient to remedy the *dollar's massive problems.*

At the close of trading, the Fed said the Basic Money Supply rose $600m, about in line with expectations.

The Commerce Department reported U.S. Personal Income rose $24.2bn in July after a $12.9bn jump in June — the rise could sustain a higher rate of consumer spending and economic growth in the third quarter.

RCA, the most active issue, gained $½ to $33½. Minnesota Mining, in second place, rose $1¼ to $65.

Champion International put on $1 to $25¾ on a raised dividend.

A number of Blue Chips and *"Glamours" were hit with profit-taking.* **Eastman Kodak** lost $1¼ to $66½, **Polaroid** $1¾ to $32⅞, **IBM** $1¼ to $295¼ and **Xerox** $1¼ to $62¼.

American **Telephon** added $½ at $61⅜—it will receive a $120m refund from **Communications Satellite,** $¼ to $45¾.

SCM eased $⅜ to $21⅝, despite *higher fiscal fourth quarter net* earnings. **F. W. Woolworth** improved $1 to $21—second quarter net earnings rose sharply.

Royal Dutch Petroleum dipped $½ to $61⅞—Royal Dutch Shell Group's first half net earnings dropped.

International Harvestor's shed $½ to $38⅜—third quarter profit declined but order backlog rose 43 per cent.

Digital Equipment gained $1½ to $50¾, **Allied Chemical** $1½ to $37½ and **Del Monte** $1¾ to $36¾.

Gold shares declined as the price of *gold dropped in response* to the dollar's rise. **Dome Mines** lost $1¼ to $80½, **ASA** $⅞ to $25⅞, **Rosario Resources** $1 to $21 and **Homestake** $⅞ to 37.

THE AMERICAN SE Market Value Index at a record 164.09, was up 1.36. Volume of 6.65m (6.45m) shares was the highest since 8.55m shares traded February 20, 1976.

Canada

Earlier gains were also trimmed in heavy trading yesterday, when the Toronto composite Index finished 1.4 up at 1236.0.

The metals and minerals Index put on 3.6 to 1040.2 and Oil and Gas 8.7 to 1608.0, but the Gold Share Index dropped 53.5 to 1516.5.

Simpsons, the most active Industrial, rose $⅛ to $7⅞ on 218,349 shares while **Simpsons Sears** fell $1 to $7⅜—plan to merge on a share for share basis.

B. C Forest declined $1¼ to $32—the U.S. Justice Department is challenging its acquisition of Blandin Paper.

Brussels

Belgian shares were mixed in moderate trading.

Steels and Electricities were irregular. Non-Ferrous Metal lost ground, with **Asturienne** down BFr 10 to 624. Chemicals, Oils and Holdings gained ground, with **UCB** up BFr 6 to 920, and **Societe Generale** up BFr 25 to 2,025.

In Foreign stocks, UK and Germans were little changed, Dutch were steady to firm, U.S. rose but French fell. Gold Mines were lower.

Paris

The market was narrowly mixed in thin trading as interest *currently centres on Exchange Markets.*

Property shares, Foods and Motors were mainly lower, with **Peugeot** falling a further FFr.5.3 to 492.7 after its more than FFrs.20 rise on Friday on its deal with Chrysler.

Building shares were down on forecasts of slacker business in the third quarter after some pick-up in the first half this year.

U.S. stocks, led by **General Motors, ITT, Merck** and **Philip Morris,** moved higher in line with the dollar.

Gold Mines fell, as did German shares, although Coppers were slightly firmer.

Dutch stocks were resistant, *with* **Philips** *and* **Unilever** *firmer.*

Germany

Prices were mixed on lack of orders.

In Steels, **Kloecknerwerke** gained DM2.50 to 97.5 and, among Engineerings, **Demag** rose DM2.60 to 166.8. In Chemicals, **Hoechst** put on DM1.90 to 130.5—it announced *lower first half 1978 pre-tax profits* but said it expects improved world group earnings in the second half.

BMW shed DM1 to 223.5, despite higher first half parent turnover. **VW** further advanced DM2 to 247.

Deutsche Bank rose DM2 to 302 and **Kaufhof** DM1.5 to 243.

On the Bond Market Public Sector issues fell 75 pfennigs, while the Regulating Authorities bought a nominal DM58.6m of stock.

Mark Foreign Loans were mixed.

Switzerland

Prices rose in a fairly active turnover underpinned by the strong recovery of the dollar and ahead of an expected communique from the Swiss Cabinet on the monetary and economic situation.

Swissair gained Fr 8 to 840, while Banks, Financials and Insurances rose with the Bearer stocks of **Holderbank** and **Oerlinkon-Buehle** actively higher.

Leading Industrials met demand, including the Bearer shares of Saurer, Ciba-Geigy, BBC, Aluisse and Sulzer Participation Certificates.

Amsterdam

Share prices were mainly higher although **AKZO, Hoogovens** and **Philips** each eased slightly in Dutch Internationals.

Royal Dutch gained Fl 1.60 to 132.8 following its higher second quarter net income. **Unilever** rose another Fl 1 to 122.7 and **KLM** Fl 2 to 133.5.

Banks were particularly firm, and most other sectors showed gains.

State Loans were little changed.

Australia

Minings tended easier, while Banks continued to firm on Tuesday's Budget announcement of lower requirements for their Public Securities and Liquid Asset Holdings.

BNS Wales rose 26 cents to $A6.66, **ANZ** 10 cents to $A3.30, **CBC** 9 cents to $A1.95, **National** 7 cents to $A2.52 and **CBA** 3 cents to $A2.45.

Resource *stocks,* however, eased back with overseas investors taking to the sidelines. **BHP** reacted 12 cents to $A8.24, while *Mount Isa eased 2 cents to* $A2.48

Uraniums were mixed, with **EZ Industries** rising 12 cents to $A3.12, but **Peko** lost 2 cents to $A6.12, **Pancontinental** 20 cents to $A16.30 and **Queensland Mines** 2 cents to $A3.18.

Budget news of a lift in Domestic Crude Oil prices to world parity continued to attract support for Oils. **Ampol Exploration** firmed 2 cents to $A1.52, **Bridge** 3 cents to $A1.01 and **Santos** 23 cents to $A1.65.

Motors made further gains on news of a cut in sales tax on new cars. **ANI** rose 2 cents to $A1.50, **Dunlop** 8 cents to $A1.43 and **Olympic** 2 cents to 63 cents.

Breweries and Tobaccos were largely unaffected by the Budget ipmosition of higher duties.

Johannesburg

Golds were weaker in line with the bullion price and losses ranged to 125 cents among "heavyweights." Trading was sporadic.

Mining Financials declined in sympathy with Producers

De Beers shed 15 cents to R760 but **Anamint** gained 25 cents to R81.

In Coppers, **Messina** were down 13 cents to R160.

Industrials were *mixed* in moderate dealings. Dealers said there was a reasonably steady undertone on expectation a cut in short-term interest rates is imminent.

Tokyo

Prices closed lower in slow trading as investors continued to be cautious about the yen's persistent rise despite an advance in the dollar's value during the day. Volume 200m (210m) shares.

Export-related issues such as Light Electricals moved higher, reacting favourably to U.S. Press reports regarding President Carter's concern for the dollar.

Recently selected Pharmaceuticals and Foods fell on profit-taking, more than offsetting gains in Electricals, Vehicles and Cameras.

Fujisawa Pharmaceutical lost Y40 to 1,090 on profit-taking.

C. Itoh shed Y10 to 247 following its 1977 consolidated results yesterday.

Hong Kong

Local speculative demand pushed the market higher again. Dealers reported a shortage of stock which helped to fuel the rise.

Interest again centred on Property shares on consideration of recently-concluded deals on some Central Hong Kong sites. **Cheong Kong** were again a major feature, rising HK$1 to 14.90.

H.K. Wharf also featured, rising HK$2.75 to 34.25.

As Properties moved ahead market Blue Chips climbed in sympathy. **Hong Kong Bank** put on 50 cents to 21.90 and **Hong Kong Land** 15 cents to 7.15. **Jardine Matheson** rose 30 cents to 18.40.

Utilities were firm.

Indices

NEW YORK —DOW JONES

	Aug. 17	Aug. 16	Aug. 15	Aug. 14	Aug. 11	Aug. 10	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrial	900.12	894.58	887.15	888.17	890.85	885.48	900.12 (17/8)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.80	88.81	88.86	88.95	88.85	88.95	90.96 (4/1)	86.73 (11/7)	—	—
Transport	251.80	250.69	247.81	247.76	247.57	248.45	251.80 (17/8)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.67	106.77	106.78	106.87	107.27	107.41	110.98 (3/1)	102.84 (28/2)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	45,270	38,140	29,760	32,320	33,550	38,830	—	—	—	—

* Basis of Index changed from August 24

	Aug. 11	Aug. 4	July 28	(Year ago approx)
Ind. div. yield %	5.26	5.25	5.47	5.13

STANDARD AND POORS

	Aug. 17	Aug. 16	Aug. 15	Aug. 14	Aug. 11	Aug. 10	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	116.28	115.82	114.87	114.99	114.93	114.57	116.28 (17/8)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	105.08	104.65	103.85	103.97	103.96	103.66	105.08 (17/8)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Aug. 16	Aug. 9	Aug 2	Year ago (approx.)
Ind div. yield %	4.70	4.70	4.76	4.54
Ind. P/E Ratio	9.99	9.97	9.78	9.95
Long Gov. Bond yield	8.54	8.52	8.45	7.68

N.Y.S.E. ALL COMMON

Aug. 17	Aug. 16	Aug. 15	Aug. 14	1978 High	1978 Low
59.21	58.93	58.48	58.58	59.21 (17/8)	48.37 (6/3)

Rises and Falls

	Aug. 17	Aug. 16	Aug. 15
Issues traded	1,900	1,914	1,890
Rises	1,020	998	597
Falls	525	532	878
Unchanged	355	384	415
New Highs	—	—	—
New Lows	—	—	—

MONTREAL / TORONTO / JOHANNESBURG

[illegible]

	Aug. 17	Pre-vious	1978 High	1978 Low		Aug. 17	Pre-vious	1978 High	1978 Low
Australia	[illegible]				Spain	[illegible]			
Belgium	[illegible]				Sweden	[illegible]			
Denmark	[illegible]				Switzerl'd	[illegible]			
France	[illegible]								
Germany	[illegible]								
Holland	[illegible]								
Hong Kong	[illegible]								
Italy	[illegible]								
Japan	[illegible]								
Singapore	[illegible]								

THURSDAY'S ACTIVE STOCKS

[illegible]

NEW YORK

[illegible]

CANADA

[illegible]

† Bid. ‡ Asked. § Traded. ¶ New stock.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ▼ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ◊ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. § Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

GERMANY ◆

[illegible]

TOKYO ¶

[illegible]

AUSTRALIA

[illegible]

BRAZIL

[illegible]

OSLO

[illegible]

JOHANNESBURG

[illegible]

Securities Rand $U.S. 0.72½ (Discount of 34.35%)

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

PARIS

[illegible]

SWITZERLAND ◊

[illegible]

SPAIN ▼

[illegible]

COPENHAGEN ♣

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

VIENNA

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	Stock
ABN	F3.60	18	10.50	10	15	10	20	F363.50
AKZ	F30	4	2.80	10	3.90	8	4.70	F31
AKZ	F32.50	—	—	10	2.20	41	3.10	..
ARB	F75	—	—	9	6	—	—	F78.80
EK	$50	8	17¾	2	18	—	—	$67½
EK	$60	22	9	31	10	2	11½	..
EK	$70	38	3⅜	17	5¾	8	7⅜	..
FNC	$25	..	—	5	3¼	—	—	$24⅝
HO	F35	—	—	7	5.40	—	—	F38.10
HO	F37.50	7	3	5	4.90	—	—	..
HO	F40	3	1.40	25	3.80	15	4	..
IBM	$240	—	—	1	62	—	—	$299
IBM	$260	4	42	—	—	—	—	..
IBM	$280	1	24¾	11	29¾	—	—	..
IBM	$300	14	11¾	10	17	2	20½	..
KLM	F133.30	—	—	1	28.60	—	—	F155
KLM	F142.90	10	18	—	—	—	—	..
KLM	F150	1	13.50	—	—	—	—	..
KLM	F152.40	—	—	6	18.50	—	—	..
KLM	F160	7	6.80	14	10.50	—	—	..
KLM	F161.90	4	5.50	—	—	—	—	..
KLM	F171.40	4	4.10	4	8.50	—	—	..
KLM	F181	7	2	—	—	—	—	..
KLM	F190.50	—	—	6	3	—	—	..
NN	F98.90	—	—	3	11	—	—	F106.70
PHI	F25	45	3	35	3.10	60	3.90	F26.40
PHI	F27.50	11	0.70	65	1.10	16	1.85	..
RD	F120	5	15	9	13.60	—	—	F132.60
RD	F130	14	6.50	5	6.70	—	—	..
RD	F140	—	—	4	2.50	10	3.60	..
UNI	F110	4	13.50	—	—	—	—	..
XRX	$60	3	5½	25	6¾	—	—	$64
ONY	$25	—	—	—	—	5	1½	$22
SLB	$90	2	1½	—	—	—	1½	$90⅜
TOTAL VOLUME IN CONTRACTS								765

BASE LENDING RATES

A.B.N. Bank ... 10 %	■ Hill Samuel ... §10 %
Allied Irish Banks Ltd. 10 %	C. Hoare & Co. ... †10 %
American Express Bk. 10 %	Julian S. Hodge ... 11 %
Amro Bank ... 10 %	Hongkong & Shanghai 10 %
A P Bank Ltd. ... 10 %	Industrial Bk. of Scot. 10 %
Henry Ansbacher ... 10 %	Keyser Ullmann ... 10 %
Banco de Bilbao ... 10 %	Knowsley & Co. Ltd. ... 12 %
Bank of Credit & Cmce. 10 %	Lloyds Bank ... 10 %
Bank of Cyprus ... 10 %	London Mercantile ... 10 %
Bank of N.S.W. ... 10 %	Edward Manson & Co. 11½%
Banque Belge Ltd. ... 10 %	Midland Bank ... 10 %
Banque du Rhone ... 10½%	■ Samuel Montagu ... 10 %
Barclays Bank ... 10 %	■ Morgan Grenfell ... 10 %
Barnett Christie Ltd. ... 11 %	National Westminster 10 %
Bremar Holdings Ltd. 11 %	Norwich General Trust 10 %
Brit. Bank of Mid. East 10 %	P. S. Refson & Co. ... 10 %
■ Brown Shipley ... 10 %	Rossminster ... 10 %
Canada Perm't. Trust 10 %	Royal Bk. Canada Trust 10 %
Capitol C & C Fin. Ltd. 10 %	Schlesinger Limited ... 10 %
Cayzer Ltd. ... 10 %	E. S. Schwab ... 11½%
Cedar Holdings ... 10½%	Security Trust Co. Ltd. 11 %
■ Charterhouse Japhet... 10 %	Shenley Trust ... 11 %
Choulartons ... 10 %	Standard Chartered ... 10 %
C. E. Coates ... 10 %	Trade Dev. Bank ... 10 %
Consolidated Credits... 10 %	Trustee Savings Bank 10 %
Co-operative Bank ... *10 %	Twentieth Century Bk. 11 %
Corinthian Securities 10 %	United Bank of Kuwait 10 %
Credit Lyonnais ... 10 %	Whiteaway Laidlaw ... 10½%
The Cyprus Popular Bk 10 %	Williams & Glyn's ... 10 %
Duncan Lawrie ... 10 %	Yorkshire Bank ... 10 %
Eagil Trust ... 10 %	■ Members of the Accepting Houses Committee.
English Transcont. ... 11 %	* 7-day deposits 7%, 7-month deposits 7½%.
First Nat. Fin. Corpn. 13 %	† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7½%, and over £25,000 8¼%.
First Nat. Secs. Ltd. ... 12 %	‡ Call deposits over £1,000 7%.
■ Antony Gibbs ... 10 %	§ Demand deposits 7½%.
Greyhound Guaranty... 10 %	
Grindlays Bank ... ‡10 %	
■ Guinness Mahon ... 10 %	
■ Hambros Bank ... 10 %	

هكذا من الاصل

FARMING AND RAW MATERIALS

Quality milk boost urged

QUALITY MILK Producers, the representative body of Guernsey and Jersey milk producers in England and Wales, has given qualified approval to the strategy report for the UK dairy industry, published last week by the Centre for Agricultural Strategy at Reading University.

Although endorsing the main objectives of the report, Quality Milk expressed reservations about some of the more radical solutions proposed.

"The report does not place enough emphasis on the changing patterns of the dairy market in this country, nor indeed in the EEC as a whole," the group said yesterday.

"We are now faced with a milk market in which only 50 per cent of production is used for liquid consumption and of the rest the strongest demand is for cream or butter.

"Yet the producers whose milk is of relatively greater value to the cream or butter manufacturer, receives exactly the same payment as his neighbour, whose milk may be that much lower in butterfat content."

It was vital that the industry reconsider the basis of payment for milk so that it provided an incentive for the farmer to increase his income without necessarily boosting his yield.

The alternative was that the industry would continue on the present path of increasing production, increasing the ever-growing surplus of skimmed milk powder.

If the correct incentives were provided for both the dairy farmer and dairy products manufacturer, there would be no need to impose the radical breed constraints or legislation to tinker with the liquid milk standards as suggested in the report.

Herring fishing faces 28% cut

BY RICHARD MOONEY

FURTHER UNILATERAL measures are to be taken to protect U.K. herring stocks. Mr. John Silkin, the Fisheries Minister, announced yesterday that a 28 per cent cutback in the Irish Sea catch will be enforced from August 21.

This follows the decision in July to ban all direct fishing for herring off the West Coast of Scotland (with the exception of the Clyde stock) in an attempt to save the fishery from commercial extinction. Britain's North Sea herring fishery was closed in February 1977 for the same reason.

The latest measures will aim to reduce the Irish Sea herring catch to 9,000 tonnes a year from 12,500 tonnes as recommended by the International Council for the Exploration of the Sea's advisory committee on fisheries management in May.

Mr. Silkin said he had raised the problem of over-fishing of Irish Sea herring at the last meeting of the EEC fisheries council, but the other member-states would not agree to take action.

"I am determined that the Irish Sea herring fishery should not go the way of the other herring fisheries round our coasts," he declared.

The catch reduction will be enforced through a vessel licensing system administered jointly by the U.K. and Manx Governments.

U.K. and Manx fishermen, who traditionally take about 90 per cent of the area's herring catch, will be licensed to catch a maximum of 8,100 tonnes in the current season, leaving only 900 tonnes for other EEC countries.

Apart from the Manx fishermen, the area is mainly fished by Scottish vessels plus some English and Irish, and a few Dutch and French.

The Government plans to close the fishery no later than September 24 and will not re-open it before the end of the year.

The British Fishing Federation yesterday welcomed the move, which it saw as "very necessary." But an official said he wondered whether the Irish Government would be able to control its fishermen, who have been blamed for much of last year's overfishing.

Better news for Scottish fishermen was issued jointly by the UK and Scottish Fisheries Ministers yesterday. After consultations with fishing organisations and marine scientists it has been decided to increase the daily mackerel catch limit off the West Coast of Scotland to five tonnes per crew-member from 3.5 tonnes. This results from scientific advice that the stock can sustain a higher exploitation.

Coffee frost damage reassessed

By Our Commodities Staff

THOUGH THE immediate frost danger to Brazil's coffee crop seems to have passed, new assessments of the damage done boosted prices on the London futures market yesterday.

November coffee climbed to £1,349 a tonne at one stage and ended £44 up on the day at £1,337 a tonne.

An estimate by Sr. Camillo Calazans, president of the Brazilian Coffee Institute, on Wednesday that 3m to 4m bags (60 kilos each) of coffee had been lost from next year's crop had originally been dismissed by most London traders as a gross exaggeration. They thought the frost had cost Brazil 1m to 1.5m bags.

Yesterday, however, local reports indicating genuine damage in Sao Paulo and Minas Gerais, as well as Parana, led many dealers to concede that Sr. Calazans may have been right after all.

Meanwhile the Brazilian Weather Office has kept its frost warning in force though admitting that the possibility is remote. Temperatures in the three coffee states are expected to remain stable over the next few days, sources said yesterday.

From Mexico City Reuter reports: Mexico has raised its minimum export pric for coffee to $140 per 100 kilo bag from $135. A Coffee Institute official was unable to say whether tsere might be further changes in the price this week. Earlier this week the price was raised from $130 per 100 kilos.

Wheat crop also hit

RIO DE JANEIRO, August 17.

PROSPECTS FOR maintaining Parana's wheat crop at last year's level of 1.2m tonnes have suffered significantly from the frost, according to State Agriculture Secretariat sources in Curitiba, reports Reuter.

Most of the state's wheat was already at a sufficiently advanced stage to be prone to frost damage, they said.

The Rio Grande do Sul secretariat has not received any reports of frost damage to wheat, however.

There has not been time yet to estimate percentage losses, but the initial survey shows the important Cascavel region in the south-west was worst hit, while seed farms in the north and west were also damaged.

Rio Grande do Sul and Parana together normally account for about 90 per cent of Brazil's wheat crop.

UK AGRICULTURE

Small even more beautiful

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

ONE OF THE most successful young farmers I know told me the other day that he was looking to a thorough shake out of farming, as a result of which he would be able to establish himself on a much bigger acreage.

He was saying in effect, that the cyclical nature of farming would reassert itself. There would be some sort of a slump which would give him, and others like him, their chance as has always happened throughout history.

His analysis, of course, was entirely correct. But he left out of account Britain's membership of the European Common Market which is effectively insulating UK farming from what is going o nin the world at large. It is true that, thanks to the operations of the monetary payments, prices in Britain are not at the high levels of other member countries, such as Germany or France.

But even so they are a long way above those which farmers in the rest of the world have to accept. Were Britain on a world price basis the farming slump could be here already.

So I believe that my young friend will have to wait a long time before costs catch up with prices sufficiently for British farmers to abandon their holdings. However, there are already some signs of stress. At the recent annual meeting of the Milk Marketing Board, Mr. Anthony Rosen, managing director of Fountain Farming, which milks large numbers of cows, complained that dairy farmers are facing a serious cash flow shortage. He received little support from the floor, but I believe he has a valid point.

Most dairy farmers are on land of low historic cost or are paying rents which bear little relation to present land costs. They also have no orthodox management structure. They do most of the work themselves, with at most one or two employees.

The landlords of Fountain Farming, and a number of others, are probably extracting the highest rents they can. If rents can't be agreed, the dispute goes to arbitration. The arbitration take notice of rents tendered for the few farms which are available for letting. These tendered rents are often pitched at what othodox farmers would say are unrealistically high levels.

In some cases those involved have other holdings at lower costs with which the high rents can be averaged. But much more likely they are tendered by men desperate to get into farming, and prepared to scrimp, save and cut corners to survive.

This is a feature of farming elsewhere. In New Zealand for instance a "share milker" will, if he provides the herd himself and does all the work, hand over to the farmer half the milk cheque.

If the young New Zealand farmer buys his farm, he will often make his profit between his interest charges and his milk cheque. This leaves no more than a living wage, and a possibility of being able to sell at some capital gain when he retires. It is much the same in Denmark.

I can't believe that the financial institutions which are buying an increasing acreage of land, some of it to let again, will for long resist the opportunity of exploiting their asset to the full by exacting the highest rents or partnership agreements.

This is where the individual determined to farm and work will take his chance, even if it means bidding more than anyone else to get in.

In a competitive situation this is bound to mean that farmers with high overheads and other costs, whether corporate or private, will not be able to compete with the individual prepared, as the New Zealanders sayy, to live on the smell of an oily rag.

The implications of this should be studied by anyone who is responsible for investment in argriculture either as land-owners or farmers. This particularly applies to the livestock section.

Pig and poultry products receive little support in the European Community except for a levy on imports. If production exceeds market demand prices slump. At the same time grain prices, the source of much of their feed, are maintained at a very high level.

This situation has already greatly affected the longer-standing members of the EEC. There is no development on the Continent of the massive poultry and pig farming companies which are such a feature in Birtain. This form of husbandry in Europe is almost entirely in the hands of the smaller family farmer who can stand being squeezed, since they don't have to worry about overheads.

It is possible to see scope for the development of "share" farming in this field in Britain as a means of giving the workers an incentive. It could perhaps bring a retreat from the virtual industrialisation of some sections of this industry.

The low cost production unit of the Milk Marketing Board has recently reported that as far as profitability per unit and efficiency goes the smaller producer is just as successful as the large one.

In dairying the advantages of scale appear to be far more apparent than real. If ever there should be a squeeze on dairy farming there is no doubt that here again the smaller unit could survice.

The main thrust of institutional investment has been in arable farming in the better areas. Profits here have been very good, particularly in the two potato boom years of 1975 and 1976. But now that the situation is returning to normal, and costs of all inputs are rising, the farming sense of investing up to £2,000 an acre in land is open to question.

Apart from holding the land for capital gain, or as an inflation hedge, the only way in which such an investment can be justified is exploiting the demand for land from people determined to get into farming whatever the difficulties and hardship. Such people never count the cost of the independence they hope to gain.

Zaire copper curbs to end in October

BY JOHN EDWARDS, COMMODITIES EDITOR

ZAIRE IS lifting its 50 per cent cutback in copper deliveries from October onwards, Sozacom, the Zaire metals marketing company, confirmed yesterday.

In a statement from Brussels, Sozacom said that in view of the present situation and the outlook for copper production by Gecamines, the Zaire metals mining company would allow the force majeure imposed in July after the invasion of the Shaba province—to be removed.

On Wednesday it was claimed that output at the Kolwezi mines had been restored to above ??? levels, prior to the invasion.

This swift confirmation of the intention to boost Zaire shipments again came at a time when the market was already under pressure from a lower trend in New York overnight, the fall in golds and general curreny confusion.

London silver, and platinum, prices were also lower following downtrend in gold. The spot quotation for silver on the bullion market was cut by 3p to 283.1p an ounce, and free market platinum lost £2.45 to £137.30 an ounce. It reached a record high of £140.10 on Monday.

However, one market to rise yesterday was tin. The three months quotation reached a new peak for the year of £6,800 a tonne at one stage before profit-taking sales brought it back to close £35 higher at £6,762 a tonne.

The further rise reflected the strong tone inthe Penang market overnight where the Straits tin price climbed by SM25 to SM1,810 a picul.

Dull start for NZ wool sales

By Our Commodities Staff

THE NEW ZEALAND wool sales for the 1978-79 season opened on a dull note at Dunedin yesterday. Prices were little changed from those at the closing Auckland sales in June.

Average selling price was calculated at 199.67 cents a kilo, meaning that a Government supplementary payment of 2.70 cents is due on all wool sold at the sale and privately up to August 21.

In Australia meanwhile, the firm tone at this week's opening auctions was maintained at the Fremantle and Sydney sales, with relatively minor support buying by the Australian Wool Corporation.

Guayule 'no threat to rubber'

BY WONG SULONG

KUALA LUMPUR, August 17.

THE GUAYULE desert plant, which is on trial in the U.S. as a possible alternative for rubber, does not appear to pose a threat to natural rubber, Tan Sri Sekhar, chairman of the Malaysion Rubber Research and Development Board, said here today.

Tan Sri Sekhar, who recently visited the guayule experimental station during a tour of the U.S. and Canada, said research so far revealed that guayule shrubs are low in productivity, and rubber derived from them was inferior to natural rubber.

Guayule rubber has many similar qualities as synthetic rubber and should the plant prove to be economically viable, it could pose as a competitor to synthetic rather than natural rubber.

He noted a genuine feeling of concern among U.S. rubber consumers about the ability of Southeast Asian countries to supply adequate rubber in the medium and long term, and the guayule experiment is partly the result of this insecurity.

He claimed the U.S. Administration was going ahead to build its rubber stockpile to 500,000 tonnes, although it is still a major question when it would start buying.

At the same time, the U.S. appeared to be giving positive support to the Unctad-sponsored international rubber price stabilisation scheme, and would rather see a buffer stockpile of 700,000 tonnes under the scheme, than 300,000 to 400,000 tonnes preferred by the European consumers, he added.

This was one point of contention which held consuming nations back from agreeing on their draft of the rubber stabilisation scheme when they last met in Geneva in July.

The U.S. also wants large quantities of this stockpile to be located in consuming countries, particularly the U.S., as opposed to the producers' proposal that the stockpile be held in producing countries.

Stable output for world cotton forecast

WASHINGTON, August 17.

WORLD COTTON production in 1978-79 is projected at [illegible] to 64m bales (480 lb each)—about equal to the 63.7m bales produced in 1977-78, the U.S. Agricultural Department stated, reports Reuter.

Its summary of a foreign agriculture service report to be issued later this month said world consumption is likely to increase by about 1m bales to 62m in 1978-79.

World cotton stocks were estimated at 22.7m bales on August 1, compared with 20.5m bales a year ago.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lost ground in active trading on the London Metal Exchange. After opening at £734 forward metal fell away in the morning following the downturn in the U.S. overnight and uncertainty [illegible] its force majeure from October. The day's low of £744.5 was reached just after the opening Comex but thereafter the price recovered to close at £731.5 on the late kerb amid vague rumours of a further substantial fall in warehouse stocks over the past week. Turnover: 22,825 tonnes.

Copper	a.m. Official	+ or —	p.m. Unofficial	+or —
	£	£	£	£
Wirebars				
Cash	754-.5	—5.5	731.5-2.5	—10.5
3 months	75-0.5	—5.5	749.5-9	—9.5
Settl'm'nt	745.5	—5.5	—	......
Cathodes				
Cash	727-8	—7.75	726-.5	—10.25
3 months	744.5-5	—7.5	743-.5	—10
Settl'm'nt	728	—8	—	......
U.S. Smt.	—	......	63-66	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £734.5, three months £749, 50, 51, 51.5, 51, 50.5. Cathodes: three months £745, 44.5. Kerb: Wirebars, three months £730.5, 50, 49.5, 49, 48.5. Afternoon: Wirebars, three months £748, 47, 48, 48.5, 47, 48, 47.5, 49, 49.5, 49, 48.5. Cathodes, cash £726.5, three months £742.5, 43. Kerb: Wirebars, three months £749, 50, 51.

TIN—Slightly firmer, although below [illegible]

[illegible]

TIN, LEAD, ZINC market reports and tables: [illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

LONDON FUTURES (GAFTA) [illegible]

RUBBER

[illegible]

SOYABEAN MEAL

Spot 59p (58.25); Sept. 58.75p (58.25); Oct. 59p (58.75).

The market opened unchanged in thin volume. Prices remained in a narrow trading range in early dealings [illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) [illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

COVENT GARDEN (prices in sterling per package except where otherwise stated) Imported Produce: Oranges—S. African: Valencia Late 4.00-5.30; [illegible]

LIVERPOOL COTTON—Spot and shipment sales amounted to 58 tons, bringing the total for the week so far to 830 tons, reports F. W. Tattersall. Only occasional contracts were arranged, mostly in American-type varieties. African and Middle Eastern styles were in chief request.

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.50-£5.40, codlings £2.80-£3.50, large haddock £4.40-£4.60, medium £3.80-£4.40, small £1.50-£3.40, large plaice £4.50-£4.80, medium £4.20-£4.90, best small £3.70-£4.30, large skinned dogfish £6.90, medium £4.00, large lemon soles £4.50, medium £4.00, saithe £1.60-£2.40.

PRICE CHANGES

Price per tonne unless otherwise stated.

	Aug. 17 1978	+ or —	Month ago
[illegible]			

* Nominal. † New crop. ‡ Unquoted. m June-Aug. n July-Sept. q Sept. r Oct. s Sept.-Oct. w Aug.-Sept. x Per ton. z Indicator price.

INDICES

FINANCIAL TIMES

Aug. 17	Aug. 16	Month ago	Year ago
246.71	246.04	255.83	258.17

(Base: July 1, 1952=100)

REUTER'S

Aug. 17	Aug. 16	Month ago	Year ago
1441.7	1443.5	1419.6	1478.0

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Aug. 17	Aug. 16	Month ago	Year ago
Spot	366.63	366.30	354.77	354.77
Futures	356.81	368.57	338.35	327.50

(Average 1924-25-26=100)

MOODY'S

Moody's	Aug. 17	Aug. 16	Month ago	Year ago
Sple Commty	929.5	930.0	914.7	825.1

(December 31, 1931=100)

U.S. Markets

NEW YORK, August 17.

Cocoa—Sept. 156.90 (159.30), Dec. 152.98 (154.30), March 149.90, May 145.70, July 142.95, Sept. 140.45, Dec. 137.80. Sales: [illegible]

[illegible]

Tin—605.00-610.00 nom. (610.00-620.00 nom.).

**Wheat—Sept. 326½-327 (324½), Dec. 323¼-323½ (320¼), March 319-319½, May 315½-316, July 305-307½, Sept. 310½ nom.

WINNIPEG, August 17. ††Rye—Oct. 93.90 bid (93.70), Nov. 95.80 nom. (95.50 asked), Dec. 92.80 bid, May 96.20 bid, July 96.50 nom.

††Oats—Oct. 72.70 (72.60 bid), Dec. 72.80 (72.60 asked), March 71.80 asked, May 71.80 asked, July 71.50 nom.

‡‡Barley—Oct. 72.00 bid (71.50), Dec. 72.00 bid (72.20), March 72.80 asked, May 72.80 asked, July 72.90 nom.

§§Flaxseed—Oct. 248.00 (245.50), Nov. 246.20 asked (244.10 bid), Dec. 247.80 asked, May 252.10 asked, July 252.00.

¶¶Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 165.73 (164.96).

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse, 5,000 bushel lots. § $s per troy ounce for 50 oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 34 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ $C per tonne.

Israel meat import to go private

JERUSALEM, August 17.

THE ISRAELI Government intends to transfer the import of meat by stages to private hands.

Until now, only the Ministry of Commerce and Industry has been allowed to buy meat abroad, and this arrangement will remain in effect for the time being for Rumania, Argentina and Uruguay, which between them account for 80 per cent of Israel's meat imports of 40,000 tonnes a year.

It is hoped to reduce the average cost of imports by free competition, and purchases in these three counties—as well as those from other sources such as England and Australia — are eventually to be handed over to private importers.

NEW U.S. SUGAR IMPORT BILL

WASHINGTON, August 17.

THE U.S. House of Representatives trade sub-commitee has approved a new sugar import fee Bill designed to put a minimum 15-cent a pound "floor" under the price of sugar by imposing import fees and, if necessary, qutas, reports Reuter.

STOCK EXCHANGE REPORT

Equity leaders fail to hold initial small improvements

Index down 0.7 at 509.3—Fall in Golds gathers pace

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Aug. 7	Aug. 17	Aug. 18	Aug. 30
Aug. 21	Aug. 31	Sep. 1	Sep. 12
Sep. 4	Sep. 14	Sep. 15	Sep. 26

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Although at the higher end of expectations, the money supply figures appeared to have been well discounted and had little impact on stock market sentiment yesterday. The extension of the supplementary deposits scheme for a further eight months failed to benefit British Funds, but the tone in this sector was no worse than quietly dull. Short-dated issues encountered some nervous selling ahead of the money supply figures which were mainly reflected in the day's losses extending to ⅜. The reaction, however, was also attributed to the absence of buyers following the moves by President Carter to strengthen the dollar which led to uncertainty about the level of short-term interest rates. Longs recorded losses of ¼ and the Government Securities index gave up 0.20 to 70.89.

Leading Industrials opened firmly before drifting back to close with small losses. Up 2.8 at its best of the day at 10 am, the FT 30-share index finished 0.7 down on balance at 509.3. Trade was at a fairly low ebb—official markings of 4,997 compared with last week's daily average of over 6,000—but there was a considerable amount of small business transacted, while some institutional interest was also in evidence.

Overall, equity markets presented a mixed appearance, but falls just had the edge over rises in FT-quoted Industrials, but there was no quotable change in the FT-Actuaries All-Share index at 233.55.

The good recovery movement in the dollar which in turn brought about a *fall of $6½ to $208⅜* in the bullion price prompted a sharp reaction in Gold mining shares yesterday. Substantial falls were reflected in the Gold Mines index which fell 8.3 more to 187.9.

Institutional and arbitrage selling and a further influx of investment currency on sales of gold shares depressed the premium yesterday from an opening of 101½ per cent to a day's low of 98¾ per cent for a net loss of 1¼ on the overnight level. The conversion factor was 0.6666 (0.6572).

Quiet trading conditions again pjrevailed in Traded Options and only 344 contracts had been completed by the close compared with the previous day's 437. It was confirmed yesterday that trade will commence on September 18 in five new stocks, BOC, Boots, EMI, Imperial Group and Rio Tinto-Zinc.

Australian banks up

Australian issues came to the fore in the banking sector, rising in the wake of the Federal budget. **Bank of New South Wales** firmed 20 to 598p and **ANZ** 13 to 300p. Home banks were initially unmoved by the *disclosure that* corset restrictions are to be extended a further eight months beyond November, but turned easier late to close with falls of around 4. Discounts took a turn for the worse with **Union** a notable casualty at 325p, down 20. **Rea Bros.** declined 3 to 53p in merchant banks following the *un-inspirin ginterim* report, but **Arbuthnot Latham** added 8 to 168p.

Despite reporting first-half profits at the top end of market estimates, **Royals** closed 5 cheaper at 390p. Other Composite Insurances closed a shade easier with **Commercial Union** 2 off at 154p and **GRE** a similar amount *down at 236p.* Dull recently on concern about the effects a depreciatin gdollar will have on their overseas earnings, brokers picked up in places.

Scottish and Newcastle were dull late at 67p, down 2½p, on disappointment with the chairman's remarks at the annual meeting. Other Breweries fluctuated narrowly and closed with little alteration.

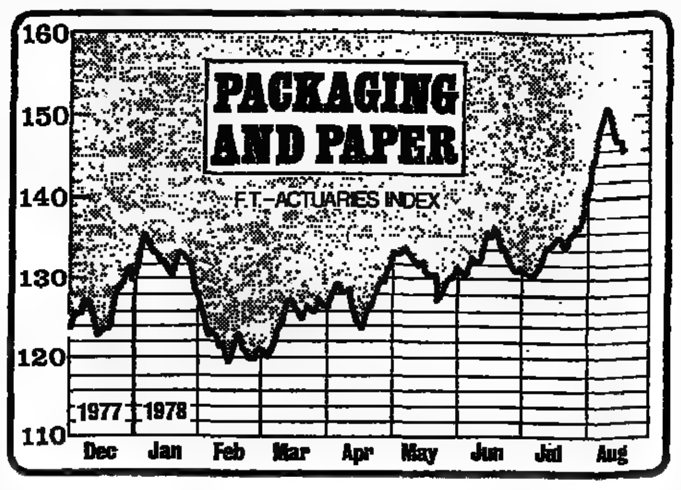
Some good gains were recorded in Contracting issues. **John Laing A** put on 9 more to 215p on the group's intentions to hive off their property interests. **Richard Costain**, *218p*, and **Taylor Woodrow**, 440p, added 8 and 10 respectively. **Rowlinson Construction** closed unaltered at 29p; the price in yesterday's issue was incorrect. Buyers returned for **Brown and Jackson** which firmed 4 to 186p, but end account influences left **Phoenix Timber** 3 easier at 160p.

ICI trade around the overnight level for most of the session and closed a couple of pence higher at 402p.

Bourne easier

Gussies "A," 314p, and **British Home**, 210p, lost 4 apiece among *generally easier Store leaders,* while **F. W. Woolworth** softened a penny to 71½p following cautious comment on the interim results. Elsewhere, profit-taking in the absence of fresh bid news left **Bourne and Hollingsworth** 5 lower at 263p.

Racal Electronics returned to favour in Electricals, closing 8 better at 314p, after 316p. Renewed bid speculation lifted **Henry Wigfall** 12 to 252p in a thin market, while interest was also shown in **BSR**, 4 better at 103p, and **Farnell Electronics**, 7 up at 350p.



Persisting talk that **Hawker** may soon launch a bid for **John Brown** sparked off another good demand for the latter which touched a new peak of 497p before closing 7 to the good at 487p; Hawker ended 4 off at 240p. **Tubes**, at 418p, lost 2 of the previous day's gain of 8 which followed the good results and **Vickers**, which have risen sharply this week o nhopes of early compensation payment news, softened a penny to 194p. *Elsewhere in* Engineerings, **Danks Gowerton** hardened 2 to 69p in response to the higher annual earnings and **Northern Engineering** improved 1½ to 117½p with the help of the Iran £4m contract. Supported up to 34p in front of the results, **Woodhouse and Rixson** reacted on them and closed only a penny dearer on balance at 32p on disappointment with the unchanged dividend payment. **Cooper Industries**, 22p, and **Associated Tooling**, 37p, both hardened a penny following trading news.

Publicity given to a broker's circular directed attention to **Nurdin and Peacock** which improved 5 to 91p. **Needlers** hardened 3 to 40p on the first-half return to profitable trading, while revived bid speculation left **Linfood** 4 up at 182p. **Fitch Lovell** were supported at 65p, up 3. Among Hotels and Caterers, **Trust Houses Forte** finished 4 higher at 232p.

Norton and Wright good

Wednesday's irregular trend was repeated inthe miscellaneous Industrial leaders. Renewed investment support ahead of the 100 per cent scrip?issue on September 4 helped **Pilkington** put on 9 to 616p, while **Glaxo** firmed 5 to 615p. **Bowater** cheapened 3 to 196p, after 193p; the interim results are due on September 11. In secondary issues, **Norton and Wright** did well with a rise of 15 to 190p in response to the doubled annual profits and proposed 100 per cent scrip-issue, and **Hunting Associated** put on 11 to 304p on revived investment support in a market none too well supplied with stock. Speculative buying fuelled by vague bid suggestions helped **United Carriers** improve 3 to 97p, while improvements of 4 and 6 respectively were seen in **Gripperods**, 51p, and **Western Board Mills**, 86p. The absence of news of the bid discussions left **Peerage of Birmingham** 4 lower *at 64p, while* **Evode** *lost 3 to 37p* in reaction to the disappointing interim results. News that the group is bracing itself for possible losses of around £4m. at its Glasgow subsidiary prompted a fall of 2 to 28p in **Barrow Hepburn**.

Interest in Motors and Distributors centred *on* **Lex Service** which eased 3 to 88½p in active trading on the £8m fund-raising plans which accompanied the substantially improved interim figures. **Lucas Industries** ended 4 cheaper at 322p. Commercial vehicles edged higher following news that the recent buoyant pattern of sales in the UK had continued in July.

In Newspapers, **Liverpool Daily Post** *firmed 7 to 147p on* speculative country buying. **Independent** also found support, and added 6 to 158p.

Properties again demonstrated the underlying firm tendency, and selected issues recorded reasonable gains. **British Land** improved 1½ to 41½p, with the 12 per cent Convertible up 6 points at a 1978 peak of £162. **Hammerson "A"** *hardened 15 to 630p* in a limited market. Following news of the contract exchange for the £8¼m sale of the group's office property in Brussels, **Bernard Sunley** advanced 10 to 268p. **Town Centre** became a good market and put on 4 to 73p, and **Great Portland Estates**, at 307p, regained nearly all of the previous day's fall of 6. **Chaddesley Investments** added 3 more to 55p on continued demand following the recent major reorganisation and merger with Greycoat Estates. Others to progress included Haslemere Estates, 4 better at 258p, and **City Offices**, 3 to the good at 62p.

BP firm

876p. Dealers registered slight disappointment with Shell's half-year returns, but an initial markdown to 565p met resistance and th shares r6ecovered to close 568p. Investment premium influences were responsible for the fall of a point to £47¼ in **Royal Dutch**. **Siebens (UK)** were initially supported to 374p on news of successful drilling tests in the Brae Field, but in the absence of follow-through drifted and closed a couple of pence lower on balance at 368p.

Among Overseas Traders, **William Jacks** eased a penny to 29p following the preliminary figures.

Investment Trusts fluctuated narrowly before closing little changed on the previous day's close. **Dalgety**, which reported preliminary figures on September 12 last year, featured in Financials with an improvement of 8 to 303p. Interest was shown in **Haw Par**, 1½ up at 63p. Following the $6.53 bid from the U.S.-based J. M. Huber Corp., dealings were resumed in **American Association** on a 310p to 315p basis, compared with the pre-suspension price of 175p.

Following details of the £14m compensation the company is receiving from the government for the nationalisation of the Austin and Pickersgill concern, share dealings were resumed in **Lofs**. The shares eased from an opening of 32½p and closed at 32p compared with the 30p price at suspension.

Dawson International moved higher as bid speculation revived, the ordinary and A both closing 4 better at 146p and 145p respectively. **Corah**, however, gave up a penny at 40½p following the interim results.

Rubbers contributed a fairly lengthy list of gains following Far Eastern interest. **Guthrie** closed 7 up at 360p, while **Kuala Lumpur Kepong**, 89p, and **London Sumatra**, 182p, put on 4 and 5 respectively.

Golds sharply lower

The sharp rally in the dollar and the resultant heavy fall in the bullion price—finally $6.50 lower at $208.375 per ounce—led to widespread and heavy losses in South African Gold shares. The Gold Mines index dropped 8.3 more to 187.9 for a three-day reaction of 18.7.

After opening lower in line with overnight U.S. markets, share prices came under pressure throughout the day owing to selling from most international centres. Little or no support developed in after hours dealings and prices closed at the day's lowest.

The heavyweight high-quality issues bore the brunt of the selling with **West Driefontein** particularly vulnerable and finally £2¼ lower at £25½, while **Western Holdings** relinquished a point at £23 and **Hartebeest** ¾ to £14¼.

Lower-priced issues fared equally badly with **Grootvlei** 9 off at 109p, **Venterspost** 16 cheaper at 238p and **Deelkraal** 8 lower at 94p.

South African Financials were in retreat reflecting the sharp falls in Golds. Losses of 12 were commons to **Anglo American** and **Union Corporation** at 356p and 310p respectively, while **De Beers** closed 11 off at 445p. London-domiciled Financials were usually a shade easier although the heavy fall in the bullion price lowered **Gold Fields** 4 to 191p.

Among Coppers, **MTD Mangula** gave up a further 2¼ to 37p on continued nervous selling following the recent civil unrest in the vicinity of the mine. **Messina** were subject to Cape selling *which lowered the shares by 5* at 95p.

Australians did not fully reflect the continuing buoyancy of overnight Sydney and Melbourne following Tuesday's Federal budget.

After being marked up at the opening, prices tended to weaken on modest London offerings coupled with the fluctuation in the investment premium.

However, there were one or two firm features including **Western Mining**, which rose 6 to 149p on consideration of the Yeelirie development deal with two international companies and **Haoma Gold**, which attracted further speculative support to close 6 better at a 1978 high of 68p.

FOOD PRICE MOVEMENTS

	August 17 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,115	1,115	1,115
British A.1 per ton	1,085	1,085	1,085
Irish Special per ton	1,005	1,085	1,085
Ulster A.1 per ton¶	1,065	1,065	1,065
BUTTER			
NZ per 20 kg	12.59/12.72	12.59/12.72	12.59/12.72
English per cwt†	74.11	74.11	72.99
Danish salted per cwt†	76.98/89.52	76.98/77.55	74.98/77.55
CHEESE¶			
NZ per tonne	1,161.50	1,161.50	1,161.50
English cheddar trade per tonne	—	1,275.0	1,202.10
EGGS*			
Home-produce:			
Size 4	2.40/2.60	2.60/2.90	2.80/3.10
Size 2	3.00/3.70	3.60/3.90	4.00/4.30
	August 17 p	**Week ago p**	**Month ago p**
BEEF			
Scottish killed sides ex-KKCF	54.0/58.0	53.0/58.0	54.0/58.0
Eire forequarters	—	—	37.0/39.0
LAMB			
English	54.0/57.0	56.0/60.0	58.0/60.0
NZ PLs-PMs	53.0/54.0	53.5/54.5	53.0/54.5
PORK (all weights)	37.0/44.0	35.0/44.0	35.0/44.0
POULTRY—Broiler chickens	36.0/39.0	36.0/41.5	36.0/39.0

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. ¶ For delivery August 20-27.

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ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Shell Transport	25p	14	568	−2	586	484
BP	£1	11	876	+12	896	720
De Beers Dfd.	R0.05	11	445	−11	464	285
ICI	£1	11	402	+2	402	328
Lex Service	25p	9	88½	−3	94½	64½
Burmah Oil	£1	8	76	+1	77	42
GEC	25p	8	308	—	311	233
Marks & Spencer	25p	8	88	—	90	67½
BATs Dfd.	25p	7	295	—	302	227
Barclays Bank	£1	7	353	−3	368	296
Glaxo	50p	7	615	+5	632	515
Lucas Inds.	£1	7	322	−4	329	240
Racal Electronics	25p	7	314	+8	315	196
Allied Breweries	25p	6	84	—	94	78
Courtaulds	25p	6	118	−1	131	109

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (114)

AMERICANS (3)
CANADIANS (3)
BANKS (4)
BEERS (2)
BUILDINGS (9)
CHEMICALS (4)
CINEMAS (1)
DRAPERY & STORES (4)
ELECTRICALS (6)
ENGINEERING (16)
FOODS (3)
HOTELS (1)
INDUSTRIALS (20)
MOTORS (1)
NEWSPAPERS (2)
PAPER & PRINTING (1)
PROPERTY (11)
SHIPBUILDERS (1)
SHIPPING (2)
SHOES (1)
TEXTILES (2)
TRUSTS (10)
RUBBERS (4)
MINES (4)

NEW LOWS (1)

INDUSTRIALS (1)
Wilson Walton

RISES AND FALLS

YESTERDAY	Up	Down	Same	WED. AUGUST 16	Up	Down	Same
British Funds	1	78	7	British Funds	10	49	28
Corpns., Dom. and Foreign Bonds	4	3	57	Corpns., Dom. and Foreign Bonds	2	6	58
Industrials	324	244	950	Industrials	182	403	875
Financial and Prop.	101	98	319	Financial and Prop.	25	255	252
Oils	9	11	15	Oils	2	11	22
Plantation	9	2	20	Plantation	5	6	20
Mines	14	78	38	Mines	12	77	39
Recent Issues	2	6	37	Recent Issues	3	7	32
Totals	464	520	1,443	Totals	241	808	1,384

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
65	F.P.	31/8	81	71	Cartiers Superfoods	78	+1	bd2.41	3.1	4.7	7.0
‡‡	F.P.	—	12¾	4	Emray	10½	—	—	—	—	—
100	F.P.	8/7	182	142	Eurotherm	182	—	b2.64	3.0	2.2	17.8
85	F.P.	24/8	94	85	Hunting Petr. Services	92	—	4.66	3.0	7.7	6.5
115	F.P.	8/9	148	138	Jones (E.) (Jew'lrs) 10p	146	—	g6.5	2.1	6.6	12.7

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
**	F.P.	1/9	95½p	94p	Airflow Streamlines 10% Prf.	94p	—
**	F.P.	18/8	96p	91p	Allied Retailer 9% Pref.	96p	—
£99.4	F.P.	—	99¼	94	Birmingham Var Rate 83-85	99¼	—
**	F.P.	8/9	98½	98	Caffyns 10% Pref.	98½	—
£99¼	F.P.	—	100	99¾	Camden Var. Rate Red. 1983	100	—
£100	£10	15/12	11⅛	10½	Do. 12½% Red. 1986	11⅛	—
**	F.P.	15/9	98	96	Central & Sheerwood 10% Pref	97	—
**	F.P.	29/9	99	98	Crosby Spring Interiors 10% Pref	98	—
¶	F.P.	1/9	98⅛	98	East Anglia Water 7% Red. Pref. 1983	98	—
100p	F.P.	16/8	104p	101p	Ecclesiast'al Ins. Office 10% Red 2nd Cum Pref.	104p	—
‖	F.P.	25/8	105¼	98½	Fairview Ests. 14.85% Deb.	100	—
**	F.P.	29/9	99½	98⅛	G. R. Holdings 10½% Prf.	99½	+1
**	F.P.	18/8	105p	103p	Henderson Kenton 10% Cum. Pref.	105p	+1
§96	F.P.	15/12	99p	97p	Jenners Princes 10% Cum. Pref.	98½p	—
¶¶	F.P.	—	92½p	87p	Marchwiel 9% Pref.	92½p	—
¶¶	F.P.	—	86	85	Mooloya 12% Partly Conv. Uns. Ln. '86-'95	85	—
¶¶	F.P.	9/8	95p	94p	More O'Ferrall 10% 2nd Cum. Pref.	94½p	—
100p	Nil	—	21p	16p	Negretti and Zambra 9% Cnv Pref.	21p	—
£100	F.P.	—	99¾	99¼	Northampton Var. Rate Red. 1983	99¾	—
**	F.P.	1/8	103p	97p	Peckow 10% Pref.	103p	—
§100p	F.P.	—	100p	99½p	Pitman 10% Cum. Pref.	99½p	—
**	F.P.	15/9	96½	95	Rotork 9¾% Cum Pref.	95	—
**	F.P.	15/9	99	95½	Sotheby Parke Bernet 9% Cum. Pref.	99	—
£99¼	F.P.	—	100	99¼	Sefton Var. Rate Red. 1983	99½	—
£98¼	£45	20/10	44¾	43	Southend-on-Sea 12% Red. 1987	44½	—
£99¾	F.P.	—	99⅞	99⅝	Wandsworth Variable 1983	99⅞	—
£98¼	£25	15/9	25½	24	West Kent Water 12% Deb. 1986	24½	—
**	F.P.	1/9	96p	94p	Young & Co. Brewery 9% Pref.	96p	—

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ●	1978 High	1978 Low	Stock	Closing Price p:	+ or −
60	Nil	30/8	24/11	21pm	17pm	Blackwood HodgeX	19pm	—
28	F.P.	18/7	18/8	49	31¼	Brooke Tool Eng.	48	—
36	F.P.	2/8	1/9	59	46	Headlam Sims & Coggins	59	+1
70	F.P.	10/8	8/9	[illegible]	[illegible]	Leech (Wm.)	[illegible]	—
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	Norton (W. E.)	[illegible]	—
55	Nil	[illegible]	[illegible]	[illegible]	[illegible]	Property Partnerships	[illegible]	—
84	Nil	[illegible]	[illegible]	[illegible]	[illegible]	Satellite Speakman	[illegible]	—
30	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	Tecalemit	[illegible]	—
110	F.P.	14/8	8/9	[illegible]	124	Williams (J.) [illegible]	155	−2
98	F.P.	18/8	15/9	[illegible]	[illegible]	Yorkshire Chemicals	[illegible]	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ‡ Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FINANCIAL TIMES STOCK INDICES

	Aug. 17	Aug. 16	Aug. 15	Aug. 14	Aug. 11	Aug. 10	A year ago
Government Secs.	70.89	71.09	71.15	71.09	71.28	71.33	70.76
Fixed Interest	72.83	72.89	72.89	72.80	72.89	72.89	70.31
Industrial Ordinary	509.3	510.0	511.2	513.6	514.5	514.0	487.6
Gold Mines	187.9	196.2	201.0	206.6	208.0	198.5	111.8
Ord. Div. Yield	5.27	5.28	5.28	5.26	5.26	5.27	5.32
Earnings Y'ld% (full)(*)	15.72	15.89	15.92	15.89	15.87	15.95	14.93
P/E Ratio (net)(*†)	8.45	8.36	8.34	8.37	8.37	8.36	8.89
Dealings marked	4,997	5,646	5,097	5,618	6,064	6,717	5,751
Equity turnover £m.	—	76.41	71.24	69.16	98.78	188.47	101.36
Equity bargains total	—	17,574	21,347	17,332	23,054	36,369	20,092

10 am 512.8. 11 am 511.4. Noon 511.4. 1 pm 511.0. 2 pm 510.7. 3 pm 509.5.
Latest Index 01-246 8026.
* Based on 52 per cent corporation tax. † Nil=8.25.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	516.2 (9/8)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Aug. 17	Aug. 16
—Daily		
Gilt-Edged	148.1	148.8
Industries	184.0	207.2
Speculative	50.6	51.4
Totals	113.7	128.5
5-day Average		
Gilt-Edged	148.6	147.2
Industrials	202.5	217.4
Speculative	56.8	60.0
Totals	124.8	132.7

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Aug. 15	Aug. 29	Nov. 9	Nov. 21
Aug. 30	Sep. 11	Nov. 23	Dec. 5
Sep. 12	Sep. 25	Dec. 7	Dec. 19

For rate indications see end of Share Information Service

Money was given for the call in Westland, Swan Hunter, Cons. Gold Fields, Ultramar, Lex Service, Thomson Organisation, Reed International, Trafalgar House, Rio Tinto-Zinc, Grand Metropolitan, Premier Consolidated Oil, Selection Trust, Status Discount, Audiotronic, BL, Johnson Group, UDT, Consolidated Plantations Warrants, Staflex International, Airflow Streamlines, J. Lyons, Dawson International and Burmah Oil, while doubles were arranged in BL, Norfolk Capital and Burmah Oil. A short-dated call was done in Lex Service.

LONDON TRADED OPTIONS

Option	Ex'rcise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.	Equity close
BP	750	132	—	151	—	136	—	875p
BP	800	90	1	112	—	100	1	"
BP	850	53	2	78	—	77	—	"
BP	900	25	10	55	—	—	—	"
Com. Union	140	18	—	20	—	25	—	155p
Com. Union	160	6	—	11	—	14	10	"
Com. Union	180	1½	10	5	—	5	—	"
Cons Gold	160	37	—	38	—	42	—	193p
Cons. Gold	180	18	—	25	12	28	10	"
Cons. Gold	200	7½	50	13½	—	17	—	"
Courtaulds	100	22	—	23½	—	—	—	119p
Courtaulds	110	13½	2	16	1	19½	—	"
Courtaulds	120	7½	—	10½	—	14	—	"
Courtaulds	130	3½	—	6	—	10	—	"
GEC	220	90	—	97	—	—	—	308p
GEC	240	70	—	79	—	83	—	"
GEC	260	50	2	61	—	65	—	"
GEC	280	32	15	46	—	49	—	"
GEC	300	19	20	30	—	39	—	"
GEC	330	6	20	16	—	25	—	"
Grand Met.	100	19½	—	22½	5	24	—	116p
Grand Met.	110	11	5	16	—	18	—	"
Grand Met.	120	5	2	9	—	13	—	"
ICI	330	74	15	75	5	78	—	400p
ICI	360	45	6	45	15	50	14	"
ICI	390	19	14	27	—	31	5	"
ICI	420	6½	4	17	5	18½	3	"
Land Secs.	180	58	—	58	—	63	—	236p
Land Secs.	200	36½	5	41	—	45	—	"
Land Secs.	220	19	—	24½	—	29	—	"
Land Secs.	240	6½	5	12½	—	18	—	"
Marks & Sp.	60	29	—	30	—	30½	—	87p
Marks & Sp.	70	19½	—	20	—	24	—	"
Marks & Sp.	80	10½	—	11½	10	14	—	"
Marks & Sp.	90	4½	—	6½	5	8	6	"
Shell	500	80	—	80	5	95	—	568p
Shell	550	31	—	38	11	60	—	"
Shell	600	10½	47	20½	5	34	—	"
Totals			218		75		51	

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., Aug. 17, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.) Corp. Tax 52%	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net) Corp. Tax 52%	Wed. Aug. 16 Index No.	Tues. Aug. 15 Index No.	Mon. Aug. 14 Index No.	Fri. Aug. 11 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (170)	242.37	+0.1	15.82	5.08	8.71	242.06	242.23	242.66	242.49	202.24
2 Building Materials (27)	220.66	+0.1	15.72	5.05	9.00	220.44	222.04	222.18	222.03	171.68
3 Contracting, Construction (27)	400.76	+1.2	17.41	3.71	8.34	396.10	396.96	392.27	388.25	291.26
4 Electricals (14)	522.94	—	13.72	3.52	10.14	522.94	522.87	526.40	526.19	428.18
5 Engineering Contractors (14)	352.35	+0.6	17.03	5.88	7.82	350.36	350.92	353.33	353.18	300.91
6 Mechanical Engineering (72)	193.22	−0.2	16.94	5.61	7.91	193.65	192.95	193.14	193.27	171.33
8 Metals and Metal Forming (16)	177.01	+0.2	15.92	7.98	8.55	176.71	176.96	177.67	178.24	161.16
11 CONSUMER GOODS (DURABLE) (52)	219.37	+0.2	15.79	4.78	8.82	218.95	219.83	220.92	220.30	193.53
12 Lt. Electronics, Radio TV (15)	268.70	+0.7	13.85	3.80	10.09	266.81	267.75	270.06	268.71	231.56
13 Household Goods (12)	187.47	−0.6	15.82	6.03	8.70	188.69	189.07	189.08	188.68	174.15
14 Motors and Distributors (26)	131.89	−0.5	18.98	6.11	7.32	132.50	133.21	133.22	133.30	119.43
21 CONSUMER GOODS (NON-DURABLE) (175)	218.96	−0.2	14.88	5.50	9.08	219.42	220.57	221.55	222.33	185.02
22 Breweries (14)	232.51	−0.7	14.93	6.03	9.21	234.23	237.26	239.06	239.31	192.18
23 Wines and Spirits (6)	280.71	−0.4	15.32	5.16	9.87	281.80	283.73	285.18	284.54	238.03
24 Entertainment, Catering (17)	266.92	—	14.94	6.50	9.75	266.90	271.15	271.73	273.33	230.23
25 Food Manufacturing (21)	215.64	+0.4	17.52	5.13	7.55	214.85	215.72	216.25	215.08	189.17
26 Food Retailing (15)	225.29	+0.9	13.50	4.59	10.29	223.36	227.86	229.32	234.18	196.73
32 Newspapers, Publishing (13)	397.44	—	10.22	3.18	13.97	397.33	397.21	395.87	396.35	313.54
33 Packaging and Paper (15)	145.45	−1.0	17.89	7.29	7.35	146.95	146.99	149.54	150.69	131.76
34 Stores (40)	208.59	−0.3	10.32	4.32	14.25	209.31	209.07	209.65	210.77	169.57
35 Textiles (25)	182.64	−0.6	17.79	7.59	7.33	183.68	183.91	185.45	185.61	166.65
36 Tobaccos (3)	256.98	−0.4	21.42	7.30	5.52	257.95	259.53	260.11	261.49	219.43
37 Toys and Games (6)	120.30	−0.2	18.86	5.31	6.32	120.53	121.18	122.07	121.67	108.77
41 OTHER GROUPS (98)	213.59	+0.2	15.10	5.46	8.66	213.13	213.77	214.55	215.14	194.86
42 Chemicals (19)	300.88	+0.4	16.67	5.95	8.16	299.58	299.95	300.80	301.32	222.06
43 Pharmaceutical Products (7)	278.71	+0.5	10.23	3.66	12.12	277.37	278.65	278.86	278.85	0.00
44 Office Equipment (6)	136.90	−0.1	17.50	5.55	6.76	137.02	137.82	138.55	139.92	119.91
45 Shipping (10)	429.00	+0.1	16.85	7.14	7.31	428.43	429.04	432.66	436.83	510.31
46 Miscellaneous (56)	229.49	−0.1	15.81	5.78	8.41	229.72	230.77	231.70	232.35	192.76
49 INDUSTRIAL GROUP (495)	230.81	—	15.24	5.33	8.86	230.80	231.60	232.44	232.86	199.11
51 Oils (5)	499.11	+0.5	14.77	3.96	7.34	496.41	497.30	499.29	502.66	521.50
59 500 SHARE INDEX	253.48	+0.1	15.17	5.14	8.61	253.26	254.08	255.02	255.66	225.30
61 FINANCIAL GROUP (100)	175.13	−0.5	—	5.51	—	176.00	176.87	178.12	178.73	148.49
62 Banks (6)	194.48	−1.0	24.04	6.02	6.24	196.38	195.87	197.98	199.18	157.15
63 Discount Houses (10)	214.25	−3.8	—	8.07	—	222.69	223.13	223.06	222.82	192.42
64 Hire Purchase (5)	168.78	+1.1	11.70	4.88	12.64	166.93	166.82	165.19	166.92	146.32
65 Insurance (Life) (10)	149.07	−0.6	—	6.11	—	150.00	151.31	152.98	154.11	115.76
66 Insurance (Composite) (7)	134.74	−0.9	—	6.40	—	135.92	137.13	137.88	137.96	125.13
67 Insurance Brokers (10)	356.91	−0.4	13.17	4.42	10.87	358.37	363.09	371.54	372.27	336.67
68 Merchant Banks (14)	84.07	+0.1	—	5.82	—	83.99	84.45	84.76	85.18	71.59
69 Property (31)	258.27	+0.7	2.80	2.91	69.92	256.48	258.21	258.18	258.44	203.82
70 Miscellaneous (7)	113.96	−0.2	22.18	7.33	5.84	114.20	114.20	113.58	113.78	94.95
71 Investment Trusts (50)	239.21	+0.2	2.91	4.31	34.35	238.78	240.88	242.47	242.68	174.89
81 *Mining Finance* (4)	109.94	−1.0	16.05	6.28	7.59	111.03	110.88	112.26	110.76	96.16
91 Overseas Traders (19)	325.98	+0.6	16.72	6.89	7.49	324.17	325.42	325.44	323.97	282.36
99 ALL-SHARE INDEX (673)	233.55	—	—	5.22	—	233.60	234.46	235.51	236.02	204.00

FIXED INTEREST PRICE INDICES

British Government	Thurs. Aug. 17	Day's change %	xd adj. To-day	xd adj. 1978 to date
1 Under 5 years	104.85	−0.18	—	6.39
2 5-15 years	115.64	−0.13	—	7.04
3 Over 15 years	121.89	−0.14	—	8.67
4 Irredeemables	128.48	−0.42	—	7.26
5 All stocks	113.52	−0.16	—	7.35

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.		Thurs. Aug. 17	Wed. Aug. 16	Year ago (approx.)
1 Low Coupons	5 years	8.70	8.67	6.79
2	15 years	10.80	10.77	10.91
3	25 years	11.53	11.49	11.72
4 Medium Coupons	5 years	11.46	11.36	9.95
5	15 years	12.01	11.99	11.82
6	25 years	12.02	12.01	12.27
7 High Coupons	5 years	11.47	11.38	10.14
8	15 years	12.49	12.47	12.99
9	25 years	12.73	12.70	13.11
10 Irredeemables		11.56	11.51	11.65

	Thurs., Aug. 17 Index No.	Thurs., Aug. 17 Yield %	Wed. Aug. 16	Tues. Aug. 15	Mon. Aug. 14	Friday Aug. 11	Thurs. Aug. 10	Wed. Aug. 9	Tues. Aug. 8	Year ago (approx.)
15 20-yr. Red. Deb & Loans (15)	57.63	12.88	57.38	57.33	57.30	57.28	57.26	57.24	57.26	54.13
16 Investment Trust Prefs. (15)	51.73	13.41	51.57	51.57	51.57	51.57	51.57	51.66	51.66	50.93
17 Coml. and Indl. Prefs. (20)	70.25	13.00	70.58	70.49	70.47	70.47	70.19	70.19	70.19	69.22

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.

PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extrnl. Tst.	186.0	197.0		—

As at July 31. Next sub. day August 31.

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$311.95	...	2.30
Jardine J'pn.Fd.*	HK$387.61	...	0.90
Jardine S.E.A.	US$18.02	...	1.70
Jardine Flem.Int.	HK$21.40	...	—
Intl.Pac.Secs.(Inc.)	HK$13.45	...	—
Do. (Accum.)	HK$15.99	...	—

NAV July 31. *Equivalent US$83.50. Next sub. August 15.

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. July 27	SUS27.81	17.28	...	—
CMT Ltd. July 27	£13.20	13.55	...	—
Metals Tst. July 20	£11.89	12.18	...	—
TMT August 11	SUS11.10	11.59	...	—
TMT Ltd. Aug. 11	£11.40	11.69	...	—

World Wide Growth Management

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	SUS16.66	-0.05	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by ϕ. § Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 509-514

INSURANCE BASE RATES

†Property Growth 10¼%

†Vanbrugh Guaranteed 8.87%

†Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1978 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅝	98⅝	Exch. 5pc '76-78‡‡	99[illegible]	+[illegible]	5.02	8.39
105⅛	101[illegible]	Treasury 11½pc '79‡‡	101[illegible]xd	–[illegible]	11.30	8.55
97	94¾	Treasury 3pc '79‡‡	95[illegible]xd		3.13	7.04
97⅞	95⅛	Electric 4¼pc '74-79	95[illegible]	–[illegible]	4.44	8.25
104[illegible]	99⅞	Treasury 10½pc '79‡‡	100⅞	–⅛	10.41	9.62
96½	94¼	Electric 3½pc '76-79	95⅝	–[illegible]	3.66	7.21
103⅛	96[illegible]	Treasury 9pc 1980‡‡	99xd	–⅛	9.09	9.75
102[illegible]	97⅛	Treasury 9½pc '80‡‡	98⅞	–⅛	9.61	10.18
95⅛	92⅞	Treasury 3½pc '77-80	94	–⅛	3.72	7.05
96½	93¼	Funding 5¼pc '78-80‡‡	94	–⅛	5.59	8.87
110¼	103[illegible]	Exchequer 13pc 1980‡‡	104[illegible]	–¼	12.49	10.87
106⅛	99[illegible]	Treasury 11½pc 1981‡‡	101⅛	–¼	3.89	7.99
91⅞	88¼	Treasury 3½pc 1979-81	90	–⅛	3.88	7.93
101¼	95⅝	Treasury 9¾pc 1981‡‡	97	–[illegible]	10.05	11.08
97[illegible]	91⅞	Exch. 8¼pc 1981	94⅛	–[illegible]	8.77	10.70
100¼	94¼	Exch. 9½pc 1981	96[illegible]	–[illegible]	9.88	10.98
87[illegible]	85⅝	Exch. 3pc 1981	86¼xd		3.48	8.26
97[illegible]	95[illegible]	Treas. Variable '81‡‡	95[illegible]		9.83	10.15
111	102⅞	Exch. 12¾pc 1981‡‡	103[illegible]	–[illegible]	12.27	11.25
99⅛	91⅞	Treas. 8½pc '80-82‡‡	93⅝	–[illegible]	9.08	10.76
85⅝	82⅞	Treasury 3pc '82‡‡	85		3.53	8.00
115⅞	106¼	Treasury 14pc '82‡‡	107[illegible]xd	–⅛	12.93	11.16
96⅛	94⅝	Treas. Variable '82‡‡	94[illegible]		9.93	11.13
96⅛	89⅝	Treasury 8¼pc '82	91⅝	–⅛	9.94	11.44
100¼	91⅛	Exch. 9¼pc 1982	93[illegible]xd	–⅛	9.90	11.32
94⅞	91⅞	Exch. 9¾pc 1982 A	93[illegible]	–⅛	9.94	11.44

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 44% (based on US$1.9468 per £1). Conversion factor 0.6666 (0.6572)

CANADIANS

[illegible]

S.E. List Premium 44% (based on 2.2137 per £1)

BANKS AND HIRE PURCHASE

[illegible]

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

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[illegible]

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[illegible]

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[illegible]

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[illegible]

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[illegible]

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[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

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[illegible]

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CENTRAL RAND

EASTERN RAND

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O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	175	......	Q50c	1.3	24.4
24	15	Rhod'n Corp. 16½p	18½	......	0.57	7.1	4.6
80	52	Roan Cons. K4	70	−3	—	—	—
186	122	Tanganyika 50p	182	−4	Q10.0	1.2	5.5
90	78	Do. Pref. 80p	87	......	Q9%	16.3	8.3
41	32	Wankie Col. Rh.1	37	......	†Q7½c	1.4	17.3
17½	10	Zam.Cpr.SBD0.24	16	−½	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
15	10	Acmex 25c	13	......	—	—	—
140	64	Bougainville 50 Toea	137	+2	†Q8c	1.4	3.7
125	63	BH South 50c	115	+1	—	—	—
820	150	Central Pacific	625	+25	—	—	—
306	148	Conzinc Riotinto 50c	306	......	Q10c	2.2	2.0
72	45	G.M. Kalgoorlie $1	68	−2	—	—	—
68	18	Hampa Gold N.L.	68	+6	—	—	—
140	81	Hampton Areas 5p	134	......	t3.55	2.0	4.0
40	10	Metals Ex. 50c	26	+1	—	—	—
223	125	M.I.M. Hldgs. 50c	223	+1	Q9c	1.7	2.5
39	10	Mount Lyell 25c	31	......	—	—	—
6½	1½	Newmetal 10c	5¼	+¼	—	—	—
143	79	North B. Hill 50c	130	+1	Q8c	1.5	3.8
16½	8½	Nth. Kalgurli	15½	......	—	—	—
48	12	Nth. West Mining	44	......	—	—	—
178	117	Oakbridge $A1	175	−1	†Q11c	1.9	3.9
70	30	Pacific Copper	62	......	—	—	—
£15½	750	Pancont'l 25c	£14½	−¼	—	—	—
40	12	Paringa M&Ex. 5p	26	−1½	—	—	—
554	310	Peko-Wallsend 50c	550	......	Q15c	4.0	1.7
300	50	Southern Pacific	230	−5	—	—	—
160	84	Westn. Mining 50c	149	+6	Q3c	ϕ	‡
70	35	Whim Creek 20c	45	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
30	23	Amal. Nigeria	24	......	2.55	1.6	15.9
420	240	Ayer Hitam $M1	420	+5	†Q16.2c	0.9	‡
68	45	Beralt Tin	58	......	3.81	4.4	10.2
305	200	Berjuntai $M1	300	......	Q110c	ϕ	7.9
145	111	Geevor	135xd	......	0.04	ϕ	5.6
10½	8½	Gold & Base 12½p	10½	......	—	—	—
315	220	Gopeng Cons.	310	−5	15.23	0.9	7.4
210	130	Hongkong	210	......	—	—	—
93	78	Idris 10p	88	......	‡12.0	1.6	‡
11	9	Jantar 12½p	9	......	—	—	—
83	68	Kamunting $M0.50	83	......	ZQ15.5c	0.7	4.0
625	450	Killinghall	625	......	Q125	ϕ	20.0
470	280	Malay Dredging $M1	470	......	†Q95c	0.9	4.3
78	40	‡Pahang	78	......	†Q3.75c	0.5	‡
65	50	Pengkalen 10p	65	+3	6.60	1.3	15.2
270	165	Petaling $M1	270	......	†Q80c	1.6	6.8
63	49	Saint Piran	62	−1	g2.02	4.6	4.9
61	47	South Crofty 10p	59	......	4.19	2.0	10.6
245	140	South Kinta $M0.50	245	......	†Q17.8c	1.4	6.8
340	230	Sthn. Malayan $M1	340	......	†Q13.3c	1.1	8.3
240	134	Sungei Besi $M1	240	......	Q65c	ϕ	5.8
85	55	Supreme Corp. $M1	80	......	ZQ10c	—	2.7
100	65	Tanjong 15p	90	......	6.60	0.8	10.9
100	74	Tongkah Hrbr. $M1	90	......	†Q6.8%	1.6	‡
270	148	Tronoh $M1	265	−5	ZQ80c	1.6	7.1

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
104	70	Messina R0.50	95	−5	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
61	35	Barymin	52	......	—	—	—
17	9	Burma Mines 17½p	13	......	—	—	—
300	215	Cons. Murch. 10c	255	−10	‡Q30c	2.6	‡
465	245	Northgate C$1	380	......	—	—	—
248	164	R.T.Z.	245	−2	9.5	2.8	5.8
90	30	Sabina Inds. C$1	62	+2	—	—	—
£12	750	Tara Expln. $1	890	......	—	—	—
67	43	Tehidy Minerals 10p	67	+1	ϕ1.35	ϕ	3.0
180	120	Yukon Cons. C$1	180	......	Q7c	2.9	1.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 28

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	25½	......
Ash Spinning	45	......
Bertam	21	......
Bdgwtr. Est. 50p	310	......
Clover Croft	26	......
Craig & Rose £1	505xd	......
Dyson (R. A.) A	38	......
Ellis & McHdy	61	......
Evered	17	......
Fife Forge	52	......
Finlay Pkg. 5p	22	......
Graig Ship. £1	125	......
Higsons Brew.	77	......
I.O.M. Stm. £1	155	......
Holt (Jos.) 25p	260	......
Nthn. Goldsmith	67	−1
Pearce (C. H.)	185	......
Peel Mills	20	......
Sheffield Brick	46	......
Sheff. Refrshmt.	62	......
Sindall (Wm.)	105	......

IRISH

Conv. 9% '80/82	£92⅞	−⅛
Alliance Gas	67	......
Arnott	360	......
Carroll (P.J.)	105	......
Clondalkin	95	−1
Concrete Prods.	135	......
Heiton (Hldgs.)	48xd	−4
Ins. Corp.	160	......
Irish Ropes	130	......
Jacob	63	......
Sunbeam	33	......
T.M.G.	215	+10
Unidare	110xd	+3

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	4	Intereuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mks. & Spncr	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West. Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P&O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	14
Guardian	18	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Friday August 18 1978

Linwood pay deal agreed as Chrysler talks start

By John Elliott and Arthur Smith

A BRIGHT future for Chrysler's troubled Linwood factory was forecast yesterday by one of the company's senior North American executives, shortly before manual workers accepted a 10 per cent pay deal without any lengthy negotiations or industrial action.

Shop stewards now want the executive Mr. Don Lander, vice-president in charge of Chrysler's international operations, *to spell out the prospects* for the company's UK factories following the proposed Peugeot-Citroen take-over.

Shop stewards from all Chrysler's UK plants are meeting in Coventry today to discuss the takeover. They will consider approaching both Mr. Lander and Peugeot's French management who are about to start talks about Chrysler with the Department of Industry.

Mr. Lander, who has been in London since the takeover was announced a week ago, said yesterday that Linwood was "an excellent facility" hich could be a "valuable asset if used properly."

Model changes

He acknowledged that productivity had not improved as quickly as Chrysler had hoped, but said time was needed for the plant to absorb model and organizational changes.

The Linwood factory has been disrupted by labour troubles recently but yesterday a 10 per cent pay deal was accepted for 7,000 hourly-paid workers for payment from July 1, in line with phase three pay policy just ended.

The decision followed a recommendation from shop stewards and involves rises of £6 to £7 a week. Negotiations had been delayed by the recent problems but have been completed more speedily than usual.

Shop stewards at both Linwood and Chrysler's Ryton plant at Coventry suspect that a Peugeot take-over may lead to their factories being run down.

Suspicion

At Ryton there has been suspicion for some time that a new Chrysler car to have been produced there for distribution throughout Europe might also be made in France.

Mr. Lander would neither confirm nor deny that Chrysler had such plans. He acknowledged that originally Ryton was to be the sole manufacturing plant but added that companies constantly had *to study* manufacturing, distribution and other questions.

"Rumours are now rife that the car is to be produced elsewhere which would make it easy for management to close down operations at Ryton," Mr. Pat Fox, Transport and General Workers' Union convener at the plant said last night.

Ryton is producing around 823 Alpine cars a week, only one-third of its capacity. "There is no future for us on that basis," said Mr. Fox. It had been hoped that the new model would lead to the introduction of a night shift and increased employment.

Communists demand security *Page 2*

Lander on Chrysler future Page 8

Continued from Page 1

Dollar

fairly good by recent standards, though the continued nervousness of markets was reflected in the wide dealing spreads.

The tentative *nature of the* market's view of President Carter's statement was reflected in the cautious response of strong currency governments, suggesting no international initiatives are imminent.

The West *German* administration welcomed the U.S. move though there were no signs of additional measures in the currency field or even of intervention by the Bundesbank. In Tokyo, the Bank of Japan welcomed President Carter's action but said it was overdue.

John Wyles adds from New York:

Mr. Michael Blumenthal, the U.S. Treasury Secretary, trode carefully around the dollar issue when *speaking to* the Senate Finance Committee.

He reaffirmed that he and Mr. William Miller, Federal Reserve Board chairman, are preparing recommendation.

He emphasised his view that the outlook for U.S. *inflation*, a major cause of the dollar's instability, was getting brighter.

Plutonium safety standards report sought in two months

BY DAVID FISHLOCK, SCIENCE EDITOR

SIR EDWARD POCHIN, the medical scientist who assisted Judge Parker as an assessor during the Windscale public inquiry last year, is to head an independent inquiry into the discovery of plutonium traces in 12 industrial workers at the Atomic Weapons Research Establishment, Aldermaston.

The Ministry of Defence, which announced the inquiry into the activities of its research, development and production centre for nuclear explosives, said yesterday that it hoped Sir Edward would report within two months.

Mr. Fred Mulley, Secretary for Defence, would receive his report with the aim "of making public the *maximum* amount of information relevant to health and safety issues at *Aldermaston*."

The problem has arisen among industrial workers involved in handling the pure plutonium metal fashioned at *Aldermaston* into components for nuclear weapons. Such workers include those in Aldermaston's laundry where the protective clothing worn by plutonium workers is cleaned. Extensive special testing of radiation workers at the centre is now expected to be undertaken as the monitoring capacity becomes available.

The 12 found to have plutonium contamination were discovered during experiments with a different method of monitoring staff for radioactive contamination, called whole-body monitoring, which has been under test by Aldermaston since January.

The tests have indicated plutonium levels up to twice as high as the limits recommended by *the International Commission on* Radiological Protection, whose standards are accepted worldwide, and of which Sir Edward Pochin is *a former chairman*.

But the Ministry of Defence says that repeated checks on ths. contaminated workers have given *significantly different results*. Its problem at present is that it takes so long to detect the very weak gamma-ray signals emitted by the traces of plutonium against the background of natural ratioation that the new test can proceed only very slowly.

According to the Health and Safety Commission, the amounts of plutonium detected—if confirmed—still do not represent an industrial industry, and are most unlikely to be of medical or biological significance. But they *are above the level at which the* employer is expected to take the contaminated worker off radiation work at least temporarily.

Philip Bassett, Labour Staff, writes: The Transport and General Workers' Union yesterday called for a meeting with Mr. *Mulley to discuss the* "serious implications" of the incidents.

The 12 workers affected have all been transferred to radiation-free jobs. The first three were women who washed the protective clothing of th other nine.

The union, in a letter to Mr. Mulley signed by Mr. Mick Martin, public services' national secretary, says that it is concerned that the workers at Aldermaston "have apparently had not protection whatsoever, particularly those female members handling contaminated clothing.

The letter calls for medical checks to be made and asks Mr. Mulley what his intentions are regarding a long-term medical survey of the whole staff.

"We are concerned for their

The union, which has about 1,200 members at Aldermaston, has advised the three laundry workers to start industrial compensation proceedings as an "extreme precaution"

Richard Evans, Lobby Editor, writes: The Liberals are to campaign *in the next general election* against a policy of dependence on nuclear power. Mr. John Pardoe, the party's economic spokesman, said last night that the Conservative and Labour parties had "sold out to the nuclear lobby."

He said the Liberals believed that dependence on nuclear power was highly dangerous, but was careful not to say that the party would oppose any increase in nuclear power resources.

Financial factors hit Shell despite improved sales

BY KEVIN DONE, ENERGY CORRESPONDENT

THE ROYAL DUTCH/SHELL Group reports a marked improvement in sales of oil products in most of its major markets during the first half of the year.

But there is still a slight underlying decline in group profits, which have been sharply hit by adverse financial factors. Shell has been affected by stock losses because of the fall in oil prices in terms of most currencies except the U.S. dollar. It has also made large provisions for losses on currency translation.

Results for the first six months show net income of £396m, compared with £723m in the first half of 1977.

Profits on currency translation in the second quarter failed to eliminate losses in the first quarter stemming from Shell's use of the U.S. accounting standard un foreign currency translation. Net income for the second quarter was £390m compared with £307m in the same quarter last year.

Excluding North America, the volume of Shell oil products sales increased by 4 per cent in the second quarter compared *with the same quarter last year.*

The welcome improvement in oil trading conditions has been matched by a better performance in chemicals markets, which have recovered a little following the rapid deterioration in 1977.

But volumes of gas sold declined, chiefly because of a fall in exports from The Netherlands, and this was an important reason for the fall in net income so far this year.

Shell said yesterday that oil trading conditions in most of its main markets had improved, but profits in some countries were still below the level needed to sustain long-term business.

Sales of products to the motor industry have continued to grow *considerably* faster than the average level of trade.

In the light of generally low growth in the world economy, oil in abundant supply, and an excess of tanker and refining capacity, Shell appears reasonably satisfied with its first-half performance.

German growth prospect hit by strength of D-Mark

BY DAVID WHITE

PARIS, August 17.

CONTINUED UNCERTAINTY on the foreign exchange markets, an din particular the prospect of a further rise in the Deutschemark, threatens to undermine West Germany's prospects of achieving the stronger economic growth its Western partners are counting on.

Thas is one conclusion to be drawn from the OECD report on West Germany published today.

The report, which throws its weight behind reflation policies, has been partly overtaken by events, since it was prepared *before the Bonn Western Summit* last month and the DM 12.25bn (£3.1bn) package of tax cuts and public spending which followed.

The OECD's forecast for this year of a 3 per cent rise in Gross National Product lies, however, on the optimistc official West German *expectations of 2 to 3* per cent growth.

It is based on similar increases expected in private consumption and in exports.

The recently announced Bonn package is due to take effect from January once it has been passed by *Parliament*, and is expected to add an extra 1 percentage point to West Germany's GNP growth in 1979, to take it, according to Bonn forecasts, to 3-4 per cent.

The OECD secretariat plays down the possible inflationary consequences of stimulating growth. There is, it says, a large enough margin of unusued capital and labour resources to leave only a small risk of building up inflation.

A high degree of price stability was restored last year, it points out.

It warns that growth this year might be at risk if, as in the past two years, the Government underspends on its Budget plans. The public sector is expected to provide more than half the GNP increase.

The possibility of a further rise inthe value of the Deutschemark cannot be excluded, the report point out. That would damage West German export performances, on which the full effect of currency movements so far may have been underestimated.

Continued appreciation of the Deutschemark could weaken still further the prospects for fixed business investment by eating into profits.

The OECD's recommended means of curbing wage cost pressures while stimulating domesic demand is to cut wage taxes and to resrtain wage increases at tht same time.

Tax cuts would temporarily increase the public sector deficit —which is now expected in Bonn to reach almost 5 per cent of GNP by the end of the year. But under present condtions this could easily be financed.

The report is sceptical about German anxieties about the effect of the deficit on inflation.

The OECD says West Germany has a "particular responsibility" in international efforts to achieve more growth and better balance-of-payments equilibrium.

Details Page 2

Kinshasa talks vital to detente in Africa

By Our Foreign Staff

THE TRADITIONALLY hostile presidents of neighbouring Angola and Zaire are to meet in Kinshasa tomorrow for talks which could be a major step towards detente and stability in central and southern Africa.

A two-day "friendship visit" to Zaire by Prfesident Agostinho Neto of Angola indicates a remarkable thaw in relations between the two states, which reached a new low at the time of the invasion of the copper-rich Shaba province by Angolan-based Katangese rebels three months ago.

Zaire's President Mobutu Sese Seko has been under considerable Western pressure to effect a reconciliation which would ensure the security of Shaba.

The key subjects for resolu*tion are the neutralisation of the* border area, with the establishment of an independent "verification group" to prevent infiltration in either direction; the repatriation of about 500,000 refugees, already agreed in principle; and the re-opening of the Benguela railway line from the copper belt to the Atlantic port of Lobito.

The most delicate matter to resolve is the possible disarmament of the respective rebel groups — the Katangese based in Angola and FNLA in Zaire.

The U.S. Government has agreed to release aid totalling $26m which was held up at the time of the Shaba invasion. This is a gesture of recognition for the progress already achieved by President Mobutu, in reconciline the two countries, in releasing political detaines, and in accepting strict IMF supervision of the economy.

Crucial talks Page 2

Sunley sells Brussels office to repay foreign currency debts

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

IN THE first step in its move to abandon commercial property development in continental Europe, Bernard Sunley Invest*ment Trust has sold* its 145,000 sq foot Brussels office block to a local institution for a net £8.25m.

The building, Sunley House, on the Rue Belliard, Brussels, was completed two years ago. But with only 15 per cent let it has been costing the group £700,000 a year before tax in uncovered *interest charges.*

When Sunley receives the sales proceeds in December the money will be used to repay foreign currency debts. And the prospect of eliminating this revenue drain helped the shares to rise 6p to 264p yesterday.

Sunley retains shop and office developments in *Nice* and Munich, both of which are only partially let. The group confirmed yesterday that both developments are to be sold.

Continued from Page 1

Humber Bridge company row

payment of this sum. A judgment on the case, which has been held in camera this week, is expected today.

Technically, there is no doubt that the company can liquidate itself and relieve the members of the consortium of any responsibility. British Bridgebuiders is a £300m capital company, which took the Humber contract on a cost plus contract basis, meaning that it is to be paid by the authority for costs as they are incurred.

The company is arguing, therefore, that in spite of its parent companies' huge assets, it would be unable to go on trading without the progress payments.

The procedure whereby companies form a consortium for a major contract on the basis of *a small limited company is* by no means unusual, in a similar arrangement the partners in British Bridgebuilders acted together, although under different names, to build the Severn and Forth bridges.

The Public Accounts Committee's criticisms centre on the failure of the bridge board and the Department of Transport to assess traffic patterns accurately, and therefore the likely revenue *from tolls*.

In 1969, a capital cost of £19m was projected to be repaid within 25 years by a 25p toll for cars and higher tolls for commercial vehicles. This forecast assumed use by 25,000 vehicles a day by 1981, rising to at least 34,000 a day by 2001.

In 1971, the Department of Transport reviewed and confirmed the figures and the Government agreed to lend the authority 75 per cent of the cost, to be repaid from tolls.

The Department reassessed the forecasts in 1975, taking into allowance the so-called "estuarial factor"—the reluctance of traffic to use a new bridge. This, it concluded, could reduce traffic by as much as 30 per cent at a time when economic changes called for a downward revision of the 1981 forecast to 18,800 vehicles.

The department said its tests were "as stringent as those *applied to other major road* schemes and the adequacy of the toll revenue was not the sole determining factor."

The MPs' committee accepts that there was a significant regional development case for building the bridge, "but were disturbed at the substantial over-assessment of traffic flows."

Currently proposed tolls of 80p for cars, £2.30 for light commercial vehicles, and £4.50 to £6.50 for lorries, will generate enough revenue to pay for the *bridge within 25 years, the* department has told the committee.

Weather

MOSTLY dry and sunny.

London, SE, E, Cent. Southern and Cent. Northern England, E. Anglia Midlands Channel Is:
Dry sunny periods. Max: 22C (72F).

SW England S. Wales:
Dry sunny periods. Max: 19 to 20C (66 to 68F).

N. Wales, NW England, Lakes,
Cloudy, sunny intervals.

NE England, Borders, Edinburgh, Dundee Aberdeen Moray Firth:
Dry sunny periods. Max: 18C (64F).

Outlook: Dry and warm in east and southeast. Elsewhere changeable.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstrdm.	F	17	63	Madrid	S	27	81
Athens	S	29	84	Manchstr.	F	17	63
Bahrain	S	37	99	Melbourne	C	10	50
Barcelona	C	25	77	Mexico C.	S	21	70
Beirut	S	28	82	Milan	F	25	77
Belfast	C	16	61	Montreal	C	23	74
Belgrade	S	29	84	Moscow	F	18	64
Berlin	F	20	68	Munich	C	18	64
Birmghm.	F	18	64	Newcastle	S	18	64
Bristol	F	19	66	New York	S	30	86
Brussels	F	19	66	Oslo	C	17	63
Budapest	F	26	79	Paris	C	20	68
B. Aires	S	15	59	Perth	C	18	64
Cairo	S	32	90	Prague	F	20	68
Cardiff	F	18	64	Reykjavik	C	12	54
Chicago	S	24	75	Rio de J'o	S	23	73
Cologne	F	19	66	Rome	S	25	77
Copnhagn.	F	18	64	Singapore	C	30	86
Dublin	C	17	63	Stockholm	S	21	70
Edinburgh	F	17	63	Strasbrg.	F	21	70
Frankfurt	R	20	68	Sydney	C	14	57
Geneva	F	19	66	Tehran	S	32	90
Glasgow	C	16	61	Tel Aviv	S	28	82
Helsinki	C	16	61	Tokyo	R	28	82
H. Kong	S	31	88	Toronto	C	21	70
Lisbon	S	26	79	Vienna	C	21	70
London	S	21	70	Warsaw	C	21	70
Luxembg.	C	16	61	Zurich	F	19	66

HOLIDAY RESORTS

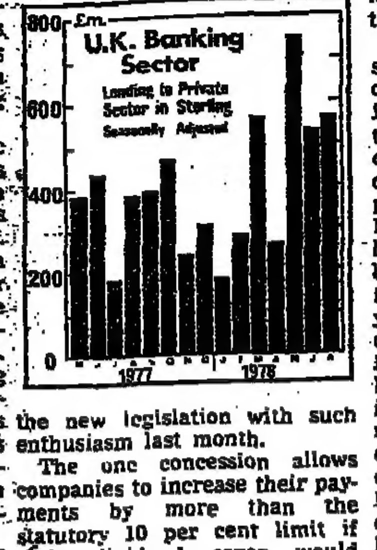
Ajaccio	S	25	77	Jersey	S	17	63
Algiers	F	27	81	Las Plms.	S	24	75
Biarritz	F	22	72	Locarno	F	24	75
Blackpool	C	15	59	Majorca	C	28	82
Bordeaux	C	21	70	Malaga	F	26	79
Boulogne	S	17	63	Malta	C	26	79
Casblnca.	S	24	75	Nairobi	C	19	66
Cape Tn	C	14	57	Naples	S	27	81
Corfu	S	28	82	Nice	S	24	75
Dubrovnik	S	26	79	Nicosia	S	30	86
Faro	S	27	81	Oporto	S	30	86
Funchal	C	22	72	Rhodes	S	28	82
Gibraltar	S	27	81	Salzburg	R	13	55
Guernsey	S	18	64	Tangier	S	26	79
Innsbruck	C	17	63	Tenerife	S	21	70
Inverness	S	17	63	Tunis	F	31	88
I. of Man	C	14	57	Valencia	C	[illegible]	[illegible]

S—Sunny, C—Cloudy, R—Rain, F—Fair.

THE LEX COLUMN

Bank lending and the corset

Index fell 0.7 to 509.3



After last week's disappointink banking figures a 1.1 per cent rise in sterling M3 during the July banking month came as no great surprise to the financial markets. Gilt-edged prices were easier on the day but this probably had more to do with the weaker trend in sterling then anything else.

Taken on its own domestic credit expansion of £114m looks modest enough, given that in the previous six months of this year it had amounted to £4.74bn. Heavy sales of gilts and an exceptionally low public sector borrowing requirement were sufficient to nullify the expansionary impact of bank lending. In addition, sterling lending overseas, which has been averaging £150m per month this year, went into reverse. It was only the reappearance of sizeable inflows into sterling which spoiled the overall money supply picture.

In the first three months of the financial year sterling M3 has grown at an annualised rate of 9½ per cent which is just about in the middle of the target range and a DCE figure of £1.55bn is roughly consis*tent with the IMF target of* £6bn for the full financial year. However, the latest figures are not as good as the gilt-edged market would have liked, since they cover what should have been a very favourable period.

In particular, the continued buoyancy of bank lending is likely to cause some nervousness. While the extension of the corset for another eight months is mildly reassuring since it demonstrates that the authorities are not going to let the banks escape, the 1 per cent permitted growth in interest bearing eligible liabilities means that bank lending will be allowed to grow at an annual rate of just over 12 per cent in the period up to June 1979. This is supposed to be consistent with the money supply targets but it does not leave much room for overshooting. More important it means that the authorities cannot afford to let interest rates fall very far.

Dividends

Company dividends could rise *by 15 per cent this year and* next, even assuming continuation of the present system of dividend control. This is one conclusion of a new study on the outlook for dividends by brokers Phillips and Drew, which *goes a long way* to explain why the market greeted the new legislation with such enthusiasm last month.

The one concession allows companies to increase their payments by more than the statutory 10 per cent limit if their dividend cover would otherwise rise above the peak level of recent years. It only applies to a minority of companies: the brokers reckon that a fifth of the companies they follow will be able to take advantage of the provision in respect of 1978, and that it will only add 2 per cent to overall dividend growth. Both these figures are lower than seemed possible initially.

However an important principle has been established, which is that profits growth should in some measure be reflected in dividends. And the impact is progressive—in a year or two, more than half the company sector could be able to *break through* the 10 per cent limit if the present legislation were to be extended.

Of course the controls still exist—and the stock market will not always be so willing to look on the bright side. But there *are some major bene*ficiaries in the short term: the brokers pick out Costain, Granada, Marks & Spencer and Associated Newspapers among the potential big gainers.

Royal Dutch/Shell

Signs of a very recent improvement in product prices, together with the sudden surge in the spot tanker market and the speculation about an OPEC *price rise, have brought a little* interest back to a dormant oil sector. But the second quarter figures from the Royal Dutch/Shell Group show that up to June, at least, the trends remained very unexciting. Out*side North America oil sales* volume rose by 4 per cent, compared with the second quarter *of 1977*, rather less than half of this gain reflecting Shell's return to the Argentinian market. But price weakness has led to significant stock losses.

The bare figures are that second quarter net income dropped from *£350m in 1977* to £282m, before FAS 8 currency translation items—on which count Shell has clawed back only £108m of the huge £280m provision required for January-March. The group is arguing, however, that the income setback is not quite what it seems, for a swing from stock profits a year ago to losses this time could have knocked off some £75m. On this basis the underlying net income performance *is little changed—and indeed* reflects gains in most countries on oil trading and chemicals, offset by lower returns from North America (mainly because of dollar weakness) and a setback in natural gas. This last *problem cannot be shrugged* off, however, for it reflects a long term drop in German demand for Dutch gas because of the build up of Ekofisk deliveries.

Whatever the detailed arguments, group net income for the full year is now likely to fall several hundred £m short of the £1.38bn (pre-FAS 8) of 1977. But a rise in the OPEC dollar price might send the figures whistling back up again.

Royal Insurance

Like the other insurance majors, Royal has recovered strongly from the storm tossed first quarter. Underwriting profits have hit an *all-time* peak of £10.5m in the second quarter, and for the year as a whole Royal is capable of a modest increase on 1977's underwriting profit of £15.2m. With investment income rising *strongly* — the underlying rate of increase is 18 per cent — pre-tax profits could rise from £133.8m to around £150m.

This is obviously having a very healthy impact on Royal's capital base. *Retentions in the* first half amount to £31m whereas the rise in premium income is only £20m partly because of the strength in sterling. Royal reckons its solvency margin is 44 per cent. Underwriting profits could slip somewhat in 1979, but that should be no threat to dividend growth, since this year's payment is likely to be covered at least three times. The prospec*tive yield at 390p is 7.2 per* cent.

IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, *Plaintiff,*
—against—
ROBERT L. VESCO, et al., *Defendants.*

72 Civ. 5001 (CES)

NOTICE OF HEARING ON SETTLEMENT OF CLAIMS AGAINST INTERNATIONAL CONTROLS CORP. BY I.O.S., LTD. AND RELATED COMPANIES

To: PERSONS WITH CLAIMS, INCLUDING CROSS-CLAIMS, COUNTERCLAIMS, THIRD PARTY CLAIMS AND ANY OTHER CLAIMS-OVER AGAINST INTERNATIONAL CONTROLS CORP. ARISING FROM ITS INVOLVEMENT WITH I.O.S., LTD.

International Controls Corp. (the "Company") has entered into a Settlement Agreement as of April 24, 1978 with I.O.S., Ltd.; Transglobal Financial Services, Limited; Fund of Funds, Limited; F.O.F. Proprietary Funds Ltd.; IOS Growth Fund, Limited (also known as Transglobal Growth Fund, Limited); IIT, an International Investment Trust; Venture Fund (International) N.V. (collectively referred to as the "IOS Group"); and the respective liquidators, administrators and trustees of the IOS Group. Under the Settlement Agreement the Company has agreed to pay the IOS Group $11,000,000 in settlement of all claims arising out of the Company's involvement with the IOS Group and other persons and entities related to I.O.S., Ltd. The IOS Group has agreed in return to provide the Company with releases and covenants not to sue. It has also agreed to provide the Company with releases and covenants not to sue obtained from other entities related to I.O.S., Ltd. as follows. Releases will be provided from IIT Management Company, S.A. and Overseas Development Bank Luxembourg, S.A. and covenants not to sue from Bahamas Commonwealth Bank Limited, Global Holdings Limited and Global Financial Limited, Global Natural Resources Limited, International Bancorp Limited, Investment Properties International Limited, Property Resources Limited and Value Capital Limited.

The claims being settled arose in connection with the Company's involvement with I.O.S., Ltd. during the period from approximately June 1968 through approximately January 1973. They relate primarily to allegations that Robert L. Vesco and the Company controlled, abused the assets of and looted the IOS Group and other entities related to I.O.S., Ltd. It has been asserted that the claims amount to many times the present assets of the Company.

By this settlement, the Company seeks to resolve all such claims (excluding claims asserted in an action entitled *Greenberg v. Vesco* and by the Internal Revenue Service) which might materially adversely *affect the Company's financial position.*

This notice is intended to provide persons who have claims, including counterclaims, cross-claims, third party claims and any other claims-over against the Company with an opportunity to assert such claims and/or object to the settlement. Failure to do so may be cited by the Company as an equitable bar or otherwise in defense of any such assertion or objection in the future.

A hearing will be held in Room 519 of the United States Courthouse, Foley Square, New York, New York at 4:00 P.M. on September 20, 1978 to determine whether the Settlement Agreement should be approved. The hearing may be adjourned from time to time. At the hearing any person having a claim against the Company arising from its involvement with I.O.S., Ltd. may present any evidence that may be relevant to the issues to be heard; provided, however, that no such person who is not a party to the Settlement Agreement shall be heard and no papers or briefs submitted by any persons shall be received or considered by the Court unless on or before September 11, 1978, a notice of intention to appear and copies of all such papers are filed with the Clerk of the Court and served upon:

David M. Butowsky, Esq.
Gordon Hurwitz Butowsky Baker Weitzen & Shalov
299 Park Avenue
New York, N.Y. 10017

Marvin E. Jacob, Esq.
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51 West 51st Street
New York, N.Y. 10019

Gregory C. Glynn, Esq.
Division of Enforcement
Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

The Settlement Agreement and other documents relating to the above-referenced hearing are on file at the United States Courthouse, Foley Square, New York, New York 10007 and available for inspection during regular hours on each day other than Saturdays, Sundays and Federal legal holidays. A more detailed notice describing the Hearing, the claims being settled and the terms of the settlement may be obtained from David M. Butowsky, Esq., Special Counsel to International Controls Corp., c/o Gordon Hurwitz Butowsky Baker Weitzen & Shalov, 299 Park Avenue, New York, New York 10017. (Telephone (212) 486-1550.)

By Order of the Court
/s/ Charles E. Stewart, Jr.
United States District Judge

Dated: New York, New York
July 11, 1978

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